2020

Universal Registration Document

SOCIETE FONCIERE LYONNAISE

UNIVERSAL REGISTRATION DOCUMENT

SOCIETE FONCIERE LYONNAISE

AUTORITÉ DES MARCHÉS FINANCIERS

This Universal Registration Document was filed on 15 March 2021 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 above-mentioned regulation.

SFL 2020
Management Report

The financial statements were approved for publication by the Board of Directors on 11 February 2021.

Annual General Meeting of 15 April 2021
Management Report for the Year Ended 31 December 2020

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 2020 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

The Covid-19 crisis caused the Paris region rental market to contract by 45% compared with 2019. SFL bucked the trend, however, signing leases on some 23,000 sq.m. The main leases concerned:
- 83 Marceau: entire building pre-let to Goldman Sachs and Bryan Garnier;
- Cézanne Saint-Honoré: lease on 2,600 sq.m. signed with Quartus;
- Édouard VII: new lease with Olympia, representing 6,000 sq.m.;
- 112 Wagram: lease on 975 sq.m. signed with Sony Interactive.

Nominal office rents for leases signed in 2020 averaged €846 per sq.m., with effective rents averaging €717 per sq.m. for an average non-cancellable term of 7.2 years, reflecting the very high quality of SFL's buildings.

In addition to these new leases, existing leases on around 24,000 sq.m. were renegotiated or adjusted by means of addenda, in line with SFL's policy of pro-actively managing tenant relations during the Covid-19 crisis. This focused approach helped to keep rent defaults and collection proceedings to a minimum, by talking to tenants experiencing temporary difficulties (particularly tenants of retail units) in order to find a mutually satisfactory solution.

The physical occupancy rate was 93.7% at 31 December 2020 and the EPRA vacancy rate was 6.0%. Although less favourable than the excellent end-2019 rates of 97.4% and 1.6% respectively, these rates nevertheless attest to the Group's success in limiting the number of vacant units in revenue-generating properties.

1.2. Development operations

Properties undergoing development at 31 December 2020 represented roughly 17% of the total portfolio. They consist mainly of the Group's current three flagship projects concerning:
- 83 avenue Marceau (approximately 9,000 sq.m.). This building is in the process of being redeveloped, with delivery scheduled for the third quarter of 2021, and has been fully pre-let.
- The Biome office complex on avenue Emile Zola (approximately 24,000 sq.m.). Redevelopment work continued at a brisk pace in 2020 and the building will be delivered in mid-2022.
- The retail space in the Louvre Saint-Honoré building (approximately 20,000 sq.m.). Work to clear the space to be redeveloped began in September 2020 and delivery is scheduled for 2024 under the turnkey lease signed with the Cartier Foundation.

These three development programmes were pursued in 2020 with only limited disruption during the first lockdown from March to May.

Similarly, refurbishment work on vacant units in other buildings (including Washington Plaza, 103 Grenelle and Édouard VII) also continued and the units were delivered under favourable conditions after minimal disruption during lockdown.

Capitalised work carried out in 2020 amounted to €111 million.

1.3. Portfolio operations

No properties were purchased or sold during 2020.

As part of its asset rotation policy, in the fourth quarter of 2020 the Group began seeking buyers for the 112 Wagram and 9 Percier properties.

The fair values of these two assets at 31 December 2020, corresponding to the price at which the property was sold (112 Wagram) or the sale was agreed (9 Percier) in January 2021, reflected a 16% average gain versus their appraisal values at 31 December 2019. This outstanding performance confirms the quality of SFL's assets and strategic positioning.

1.4. Property portfolio value

The consolidated market value of the portfolio at 31 December 2020 was €7,458 million excluding transfer costs, an increase of 4.2% from €7,158 million at 31 December 2019 that was mainly due to:
- the value created by work on the Group's redevelopment projects: the entire 83 Marceau property was pre-let during the year, work continued on the Biome project with only limited disruption, and work began on clearing the retail space in the Louvre Saint-Honoré property;
- the focused narrowing of investment yields on the highest quality assets observed in 2020.

The value of retail units declined, however, reflecting the less favourable outlook for market rents on these units.

The average EPRA topped-up net investment yield (NIY) stood at 2.9% at 31 December 2020, compared with 3.0% at 31 December 2019.

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

2. Results

2.1. Consolidated financial results

2.1.1. Consolidated profit for the year

Rental income amounted to €182.4 million in 2020 versus €198.7 million the previous year, a decline of €16.3 million (8.2%).
- On a like-for-like basis (excluding changes in consolidation scope affecting period-on-period comparisons), rental income contracted by €7.0 million (3.8%). The decline was due to the effects of the Covid-19 crisis, which led to rent holidays or reductions being granted to certain tenants and to the closure of the Édouard VII and #cloud.paris conference centres as well as the Indigo hotel. Excluding these effects, the like-for-like change was an increase of €1.3 million (0.7%), reflecting higher rental income from the Washington Plaza, 103 Grenelle and Cézanne Saint-Honoré buildings.
- Rental income from units being redeveloped or renovated in the periods concerned was down by €6.2 million, due to the renovation of several floors that were vacated in late 2019 and early 2020, mainly in the 103 Grenelle and Édouard VII buildings.
- Lastly, income from various penalties was down by €3.2 million compared with 2019.

Operating profit before disposal gains and losses and fair value adjustments to investment property came to €152.6 million in 2020 versus €172.8 million the year before.

The portfolio's appraisal value at 31 December 2020 was 4.2% higher on a like-for-like basis than at 31 December 2019. The increase led to the recognition of positive fair value adjustments to investment property of €176.5 million in 2020 compared with positive adjustments of €526.9 million in 2019.

Net finance costs stood at €34.3 million in 2020 versus €28.1 million in 2019. The year-on-year increase of €6.2 million included €3.3 million in net non-recurring costs, primarily reflecting the €4.3 million payment made on the €160.7 million worth of bonds bought back in September 2020. Recurring finance costs were €2.9 million higher, due to increases in both average debt and the average cost of debt.

After taking into account these core items, EPRA earnings came to €100.8 million in 2020. This represented a 15.5% decline compared with the previous year's record high of €119.2 million, but was in line with the Group's performance over the period 2016 to 2018. Attributable net profit for the year amounted to €286.9 million, versus €589.8 million in 2019.

2.1.2. Financing

In May 2020, SFL issued €500 million worth of 1.50% seven-year bonds due 5 June 2027.

In addition, a new five-year €150 million revolving line of credit was obtained from BNP Paribas. This new facility cancelled and replaced a previous €150 million revolving line of credit that was reduced to €100 million in 2019 and was due to expire in May 2021.

In September 2020, an offer was launched to buy back two bond issues due in November 2021 and November 2022 respectively. At the close of the offer period, on 8 September 2020, bonds with an aggregate face value of €160.7 million had been tendered to the offer, including €100.3 million worth of bonds due in 2021 and €60.4 million due in 2022.

These operations have extended the average maturity of the Group's debt and reduced its future average borrowing costs, as part of its proactive balance sheet management strategy. The funds will be used for general corporate purposes.

Net debt at 31 December 2020 amounted to €1,890 million, compared with €1,732 million at 31 December 2019, representing a loan-to-value ratio of 23.8%. The average cost of debt after hedging was 1.5% at 31 December 2020 and the average maturity was 4.4 years. The interest coverage ratio at the same date stood at 5.2x.

Lastly, at 31 December 2020, SFL had €1,040 million in undrawn lines of credit.

2.1.3. Net asset value

EPRA Net Disposal Value (NDV) stood at €4,596 million or €98.8 per share at 31 December 2020, an increase of 3.1% (5.8% including the dividend of €2.65 per share paid in April 2020) versus €95.8 per share at 31 December 2019.

2.2. Company financial results

2.2.1. Parent company results and financial position

Parent company results for the year ended 31 December 2020 can be analysed as follows:

The Company reported revenue of €101.5 million in 2020 compared with €108.1 million in 2019, representing a decrease of €6.6 million (down 6.1%). This was mainly due to the significant decline in activity at the #cloud.paris Business Centre, which remained closed during the successive lockdowns, the rent holidays granted to some tenants experiencing difficulties due to the Covid-19 crisis, and the departure in early 2020 of a tenant that had leased some 3,000 sq.m. in the Edouard VII complex.

Operating profit totalled €36.4 million in 2020, a decrease of €7.7 million compared with 2019.

The Company recorded net financial income of €9.9 million in 2020 versus net financial income of €17.9 million the previous year. The €8.0 million decline was mainly due to the buyback of €160.7 million worth of bonds and the unwinding of an interest rate swap on a notional amount of €100 million, leading to balancing payments of €4.3 million and €1.6 million respectively. Excluding these payments, net financial income contracted by €2.1 million, primarily as a result of higher borrowing costs.

After taking into account the above items, the Company reported a profit before tax and other income and expense of €46.3 million in 2020 compared to €62.0 million the previous year, a decrease of €15.7 million.

Net profit for the year, after other income and expense, employee profit-sharing and tax, came in at €43.0 million versus €58.2 million in 2019.

Total assets were stable over the year, amounting to €2,611 million at 31 December 2020 (up 2.3%).

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 84).

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

	Article D.441 I. -1° of the French Commercial Code: Outstanding ***supplier*** invoices due as at 31 December 2020						Article D.441 I. -2° of the French Commercial Code: Outstanding ***customer*** invoices due as at 31 December 2020					
	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	62	–	–	–	–	94	–	–	–	–	–	52
Total amount past due, including VAT	8,916,688	754,168	196,874	20,058	296,589	1,267,689		43,596	3,001	1,062,572	510,081	1,619,250
% of total purchases (including VAT) for the year	6.55%	0.55%	0.14%	0.01%	0.22%	0.93%	–	–	–	–	–	–
% of total sales (including VAT) for the year	–	–	–	–	–	–	–	0.04%	0.00%	0.87%	0.42%	1.33%
(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	–	–	–	–	–	–	–	–	–	17	40	57
Total amount excluded, including VAT	–	–	–	–	–	–	–	–	–	611,749	637,894	1,249,643
(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 €42,992,080.11

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

Net profit for the year ended 31 December 2020:	€42,992,080.11
Retained earnings brought forward from the prior year	€1,263,182.10
Profit available for distribution	€44,255,262.21

We recommend:

– after noting the existence of profit available for distribution, paying to shareholders a dividend per share of €2.10, representing a total payout of €97,710,845.40 based on the 46,528,974 shares outstanding at 31 December 2020;

– deducting the recommended dividend from the following accounts:

- €42,992,080.11 from net profit for the year;
- €1,263,182.10 from retained earnings, after which this account will have a balance of €0;
- €53,455,583.19 from the share premium account.

The shares will trade ex-dividend from 27 April 2021 and the dividend will be paid in cash from 29 April 2021.

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 €97,710,845.40 (€2.10 per share) will qualify as securities revenue (*revenu de capitaux mobiliers*) as defined in Article 158.3, 1° of the French Tax Code (*Code Général des Impôts*) for €44,255,262.21 (approximately €0.9511 per share) and as a return of capital (*remboursement d'apport*) for €53,455,583.19 (approximately €1.1489 per share) based on 46,528,974 shares.

The fraction of the dividend qualified as securities revenue (approximately €0.9511 per share) breaks down as follows:

– €2,709,638.90 (approximately €0.0582 per share) 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.
– €41,545,623.31 (approximately €0.8929 per share) 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° b *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 said Code.

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 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).

2.2.4. Information provided to the Economic and Social Committee

The 2020 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.

2.2.5. Related party agreements

No related party agreements governed by Articles L.225-38 *et seq.* of the French Commercial Code were entered into in 2020.

2.3. Non-financial results

Non-financial results are presented in the report on the Non-financial Information Statement (see pages 38 *et seq*.)

2.4. Review of the Group's main subsidiaries

Consolidated companies	Registration no.	Percentage Interest	Percentage 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.

SFL 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 2020.

INFORMATION ABOUT SUBSIDIARIES AND AFFILIATES AT 31 DECEMBER 2020 (in thousands of euros)

Subsidiaries and affiliates	Share capital	Reserves and retained earnings before profit appropriation	% interest	Carrying amount of investment – Cost	Carrying amount of investment – Net	Outstanding loans and advances	Guarantees provided by SFL	Last published net revenue	Last published profit/(loss)	Dividends received by SFL 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	118,928	100%	291,847	291,847	–	–	19,794	15,014	–	–
SCI 103 Grenelle	0.15	5,364	100%	1,169	1,169	158,102	–	5,676	1,068	–	–
SCI Washington	94,872	23,342	66%	79,789	79,789	96,815	–	25,778	16,770	–	–
SAS Maud	1,480	(2,666)	100%	2,450	–	1,440	–	1,091	(2,335)	–	–
2 – Affiliates (10-50%-owned)											
SAS Parholding	15,000	16,997	50%	18,400	18,400	2,316	–	–	14,134	5,756	–
B – Aggregate information about investments not listed in A above:											
Subsidiaries (at least 50%-owned)				300	300	187,949	–	–	10,147	679	–
Affiliates (less than 50%-owned)				–	–	–	–	–	–	–	–

3. EPRA Indicators

Effective from 31 December 2020, the EPRA NAV and NNNAV ratios have been replaced by new indicators: EPRA NRV (Net Reinstatement Value), NTA (Net Tangible Assets) and NDV (Net Disposal Value). These new indicators are presented in the EPRA tables below. It is interesting to note that, in the case of SFL, EPRA NDV is not materially different from EPRA NNNAV.

• EPRA INDICATORS

	2020	2019
EPRA Earnings (€m)	**100.8**	**119.2**
/share	*€2.17*	*€2.56*
EPRA Cost Ratio (including vacancy costs)	15.8%	13.3%
EPRA Cost Ratio (excluding vacancy costs)	14.0%	12.4%

	31 Dec. 2020	31 Dec. 2019
EPRA NAV (€m)	**4,783**	**4,623**
/share	*€102.8*	*€99.4*
EPRA NNNAV (€m)	**4,598**	**4,461**
/share	*€98.8*	*€95.9*
EPRA NRV (€m)	**5,210**	**5,036**
/share	*€112.0*	*€108.2*
EPRA NTA (€m)	**5,206**	**5,033**
/share	*€111.9*	*€108.2*
EPRA NDV (€m)	**4,596**	**4,459**
/share	*€98.8*	*€95.8*
EPRA Net Initial Yield (NIY)	2.7%	2.7%
EPRA Topped-Up NIY	2.9%	3.0%
EPRA Vacancy Rate	6.0%	1.6%

• EPRA EARNINGS

(in € millions)	2020	2019
Attributable net profit	**286.9**	**589.8**
Less:		
Profit (loss) on asset disposals	–	–
Fair value adjustments to investment property	(176.5)	(526.9)
Fair value adjustments to financial instruments, discounting adjustments to debt and related costs	5.0	1.7
Tax on the above items	(7.9)	14.0
Non-controlling interests in the above items	(6.7)	40.6
EPRA earnings	**100.8**	**119.2**

• EPRA COST RATIOS

(in € millions)	2020	2019
Corporate expenses	23.2	22.9
Net service charges	8.3	9.9
Less:		
- own-work capitalised	(0.3)	(1.5)
- managed facility expenses	(2.9)	(5.7)
EPRA costs (including vacancy costs) (A)	**28.3**	**25.6**
Direct vacancy costs	3.2	1.7
EPRA costs (excluding vacancy costs) (B)	**25.2**	**23.9**
Gross rents	182.4	198.7
Less: managed facility expenses	(2.9)	(5.7)
Gross rental income (C)	**179.5**	**193.0**
EPRA Cost Ratio (including direct vacancy costs) (A/C)	**15.8%**	**13.3%**
EPRA Cost Ratio (excluding direct vacancy costs) (B/C)	**14.0%**	**12.4%**

• NET ASSET VALUE

(in € millions)	31 December 2020	31 December 2019
Equity	4,647	4,485
Treasury shares and stock options	3	8
Unrealised capital gains on properties	22	20
Unrealised capital gains on intangible assets	2	2
Elimination of financial instruments at fair value	0	(4)
Elimination of deferred taxes	109	111
Transfer costs	427	413
EPRA NRV (Net Reinstatement Value)	**5,210**	**5,036**
Cancellation of intangible assets	(1)	(1)
Cancellation of unrealised gains on intangible assets	(2)	(2)
EPRA NTA (Net Tangible Assets)	**5,206**	**5,033**
Intangible assets	1	1
Financial instruments at fair value	0	4
Fixed-rate debt at fair value	(76)	(55)
Deferred taxes	(109)	(111)
Cancellation of transfer costs	(427)	(413)
EPRA NDV (Net Disposal Value)	**4,596**	**4,459**
Fair value adjustments to intangible assets	2	2
EPRA NNNAV	4,598	4,461

• EPRA NET INITIAL YIELD/EPRA “TOPPED-UP” NIY

(in € millions)	31 December 2020	31 December 2019
Portfolio value excluding transfer costs	7,458	7,158
Less: developments	*(1,146)*	*(953)*
Portfolio value excluding transfer costs. less developments	**6,312**	**6,204**
Transfer costs on property portfolio	433	426
Portfolio value including transfer costs, less developments (B)	**6,745**	**6,630**
Annualised cash rents	184	184
Irrecoverable property expenses	(4)	(3)
Annualised net rental income (excluding rent-free periods) (A)	**180**	**181**
Plus: rent-free periods and other lease incentives	13	21
Annualised net rental income (C)	**193**	**202**
EPRA NIY (A/B)	**2.7%**	**2.7%**
EPRA topped-up NIY (C/B)	**2.9%**	**3.0%**

4. Outlook

4.1. Subsequent events

Two properties were sold after the reporting date, one in January and the other in February 2021.

On 13 January 2021, the **112 Wagram** property was sold.

Acquired by SFL in 2010, this 5,500 sq.m. building located in the Paris Central Business District consists primarily of several floors of redeveloped office space. The net sale price was approximately €120 million.

The second transaction concerned the **9 Percier** property, which was sold by SFL on 17 February for €143.5 million excluding transfer costs.

Following its acquisition by SFL in 2015, this Art Deco building offering 6,300 sq.m. of office space was extensively redeveloped between 2016 and 2019 to enhance its value.

These sales formed part of SFL's strategy to rotate its more mature assets and capture the value created through its asset management work.

4.2. Outlook

Forecast developments and outlook

SFL's high quality property portfolio and very robust balance sheet have enabled it to respond efficiently to the challenges created by the Covid-19 crisis. The crisis has amplified and accelerated pre-existing trends in working practices in response to employee aspirations. In the Paris office market, SFL – which is focused exclusively on excellent, centrally located, prime properties – is well equipped to effectively respond to these shifts and closely match what its tenants want, both through the quality of its properties and the services they provide, and through the exceptional locations of its assets.

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 long-term value. SFL's positioning in this segment has preserved the Company's very high rental yields, even in an environment disrupted by the Covid-19 crisis which considerably slowed global economic activity. 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). In a market that has become highly selective, we pay close attention to opportunities to invest in assets with the 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 meet the latest technical and environmental standards and are 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 reserving spaces for electric cars and 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 centre, 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. On one hand, the Company is exposed to general risks that are common to all businesses and not specific to SFL. On the other hand, 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.

The Covid-19 global health crisis has affected these risk factors, especially the risk of fluctuations in the property market and tenant insolvency risk. Current estimates of the pandemic's direct and indirect impacts on the Company's business and results are presented below. SFL's robust balance sheet and strategic positioning in the prime office property market represent major strengths in the current environment. However, the way in which the health crisis is evolving and the emergence of new Covid-19 variants, as well as the continued uncertainty as to how long the crisis is likely to last, could lead to an increase in the level of risk associated with the Company's business environment and have a lasting material adverse effect on its business, financial position, earnings or outlook.

A. RISKS RELATED TO A GLOBAL ECONOMIC AND HEALTH CRISIS	
Risk factors	**Risk prevention/mitigation measures**
High risk	
1) Pandemic risks	
The Covid-19 health crisis that began in France and worldwide in March 2020 has exposed the property sector to the risk of rent defaults, disruption to development and redevelopment projects, and adverse trends in the rental and investment markets. Adverse effects: – Lower rental income – Fall in portfolio values – Lost opportunities to purchase and sell properties – Delays in delivering major development and redevelopment projects – Decline in operating profit – Erosion of NAV	The Company set up a process to regularly assess the impacts of the coronavirus pandemic. A special Covid-19 monitoring and management committee comprising members of senior management and the heads of operating units was formed at the start of the health crisis and remained in place until June. In addition, measures were deployed to manage the pandemic's effects on business continuity and the continued use of the Company's assets. All in all, from the onset of the crisis, SFL took all necessary measures to limit the pandemic's effects on its business and results: – All the office buildings remained open and available for use by tenants and the necessary health protection measures deployed in the buildings' common areas were regularly updated to comply with successive government directives. – Management of the conference centres (Édouard VII and #cloud.paris) and the Indigo hotel focused on limiting as far as possible the effects of government-mandated closures. – Government measures concerning very small businesses and small retail outlets were applied and tenant requests for help were managed on a case-by-case basis in order to provide them with the necessary support as far as possible, for example by authorising rent deferrals or granting rent holidays. – Property leasing activities continued, keeping a close watch on the severely depressed rental market. – Agreements were signed with the general contractors working on the main redevelopment projects currently in progress. – The process for the sale of certain properties was continued. – The Group's financial liquidity was strengthened. Impact on SFL: – The rental market slowed during the year, without coming to a complete halt; however, SFL was largely unaffected and rental streams held up well. – All told, the crisis had an €8.2 million negative impact on rental income for the year (including €6.8 million in income lost due to the closure of the two conference centres, the Indigo hotel and the Édouard VII public car park) and a €5.4 million negative impact on net property rentals. *The information needed to evaluate this risk is provided in Note II-3 to the consolidated financial statements (page 161).*

B. RISKS THAT ARE SPECIFIC TO THE PROPERTY SECTOR	
Risk factors	**Risk prevention/mitigation measures**
High risk	
2) 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. The Paris office property market is cyclical and prices depend on the balance between office supply and investor demand. For example, at 31 December 2020, a 25-bps increase in the exit yield combined with a 25-bps (0.25%) increase in the discount rate would have had the effect of reducing the portfolio's appraisal value by 8%, while a 25-bps decrease in the exit yield combined with a 25-bps (0.25%) decrease in the discount rate would have had the effect of increasing the portfolio's appraisal value by 9.5%.	– 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. – A property market monitoring system has been set up. – Advisors are consulted at regular intervals, developments are closely monitored and internal and external studies are commissioned. – The Group's strategic positioning in the prime segment of the office property market represents a mitigating factor. *See Notes IV-4 (Investment property) and IV-5 (Investment property held for sale) to the consolidated financial statements, pages 166 to 168 of this report, for more information about the parameters used to value investment properties in each asset class.* <u>Covid-19 impacts</u>: Covid-19 measures introduced by the government – including a temporary freeze on tenant evictions, closure of public venues such as the Édouard VII and #cloud.paris conference centres, and travel restrictions which led to a steep fall in the number of guests at the Indigo hotel – had a limited impact on the Company's rental income due to its strategic focus on Paris prime office properties (80% of the portfolio). Nevertheless, the requests for support received from tenants were analysed on a case-by-case basis and we endeavoured to support them as far as possible during this difficult period by granting rent holidays or deferrals.
3) 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. <u>Adverse effects</u>: – 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), Royal Institution of Chartered Surveyors (RICS) standards and valuer rotation principles. – Valuations performed by two experts (Cushman & Wakefield: 55%, CBRE: 45%). *See Notes IV-4 (Investment property) and IV-5 (Investment property held for sale) to the consolidated financial statements, pages 166 to 168 of this report, for more information about the parameters used to value investment properties in each asset class.* <u>Covid-19 impacts</u>: The Covid-19 crisis has had a limited impact on the appraisal value of the Company's asset portfolio. The appraisal value of retail units fell by 2.1% due to the uncertain revenue outlook of small independent stores. However, in volume terms, these units represent just 19% of the total portfolio, which gained 4.2% in value over the year (see page 7 of this report).

B. RISKS THAT ARE SPECIFIC TO THE PROPERTY SECTOR	
Risk factors	**Risk prevention/mitigation measures**
4) Risk of a credit crunch	
High risk	
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. Operators of property businesses need regular access to bank financing. *See Note VI-1 (Borrowings and other interest-bearing debt) to the consolidated financial statements, pages 172 and 173 of this report, for more information about borrowings, debt covenants and acceleration clauses.* *See also paragraph 3/Market Risk in Note VI-4 (Financial risk management objectives and policy) to the consolidated financial statements, page 175 of this report, for more information about sensitivity to changes in interest rates.* 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	
5) 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 the prime segment of the market. – We have established a high quality sector monitoring system. – We have covenant-free financing capacity.

C. SECTOR-SPECIFIC OPERATIONAL RISKS	
Risk factors	**Risk prevention/mitigation measures**
High risk	
6) 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, especially in the event of a cyclical market downturn. Adverse effects: – Lower physical occupancy rate – Lower rental income – Decline in operating profit Covid-19 impacts: The rental market has been and continues to be severely disrupted by the effects of the Covid-19 crisis and the successive lockdowns and curfews put in place in France. The level of disruption varies significantly depending on the market segment (local retail outlets, large shopping centres, offices in central business districts, etc.).	– Tenant diversification: at 31 December 2020, the Group's top ten tenants accounted for around 40% of total rental income and the top five for roughly 25%. – 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 and all new tenants are required to pay a rent deposit. – 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.
7) 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. Adverse effects: – 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 our tenants and the market, we conducted surveys of our buildings' users in 2017 and again in 2018. Then in 2019 and 2020, Paris-Workplace surveys were carried out among 2,000 executives in the Paris region on their habits and their expectations in terms of offices, in order to make comparisons based on a larger population that was still highly representative of the people working in SFL's properties. *See the Non-Financial Information Statement – NFIS, pages 38* et seq.

C. SECTOR-SPECIFIC OPERATIONAL RISKS	
Risk factors	**Risk prevention/mitigation measures**
Moderate risk	
8) 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. Adverse effects: – Decline in profits – Loss of investor confidence – Erosion of SFL's image and reputation	– Our remuneration policy is designed to retain key executives.
9) 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. Adverse effects: – 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.

<table>
<tr><th colspan="2">D. LEGAL AND TAX RISKS ASSOCIATED WITH THE PROPERTY BUSINESS</th></tr>
<tr><th>Risk factors</th><th>Risk prevention/mitigation measures</th></tr>
<tr><th colspan="2">Moderate risk</th></tr>
<tr><td colspan="2">10) General regulatory compliance risks.</td></tr>
<tr><td>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 with these regulations is especially important in the context of the Covid-19 pandemic.

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.

<u>Adverse effects</u>:
– Deterioration of profits, margins, growth and development outlook
– Erosion of SFL’s image and reputation</td><td>– 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.
• Health measures have been put in place in all of our buildings.</td></tr>
<tr><td colspan="2">11) Risks associated with government-related procedures</td></tr>
<tr><td>For our 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.

<u>Adverse effects</u>:
– Project delays, budget overruns, abandoned projects
– Impossibility of using certain assets
– Erosion of the Company’s business performance, results and financial position</td><td>– 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.</td></tr>
<tr><td colspan="2">12) Risk of site disamenities</td></tr>
<tr><td>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).

Complaints by neighbours or tenants can lead to significant compensation claims or injunctions to stop work.

<u>Adverse effects</u>:
– Project delays, budget overruns, abandoned projects
– Erosion of the Company’s results and financial position</td><td>– 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 required to meet the high or very high performance criteria under France’s HQE standards for maintaining “green” worksites with a minimal environmental footprint.</td></tr>
</table>

D. LEGAL AND TAX RISKS ASSOCIATED WITH THE PROPERTY BUSINESS	
Risk factors	**Risk prevention/mitigation measures**
Moderate risk	
13) 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. There is also a risk of the SIIC regime being abolished in the event of a change in government tax strategy. (Under the SIIC regime, profits from property rental activities and capital gains realised on the sale of the properties are exempt from corporate income tax). Adverse effects: – Lower net profit – Reduced dividends – Reduced profitability	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.).

E. FINANCIAL RISKS ASSOCIATED WITH THE PROPERTY BUSINESS	
Risk factors	**Risk prevention/mitigation measures**
Moderate risk	
14) Liquidity risk	
Operators of property businesses – especially those in the prime office segment – have to raise significant funds. We have access to confirmed lines of credit but these may not be sufficient 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 under its lines of credit up to June 2022. At 31 December 2020, SFL had €1,040 million in committed undrawn lines of credit. – We apply a policy of diversifying our sources of debt. – S&P rating: BBB+ stable outlook. *See also in Note VI-1 (Borrowings and other interest-bearing debt) to the consolidated financial statements:* • *Analysis of borrowings by maturity (page 172).* • *Debt covenants and acceleration clauses (page 173).*
15) Counterparty risk	
The banks that provide lines of credit and/or hedging instruments may fail to honour their commitments. The counterparty risk associated with hedging instruments is identified in the market value of the hedge. Adverse effects: – Loss of the benefit of hedges – Deterioration of the Company's financial position and profits	– Our lines of credit and hedging instruments are arranged with eight leading banks. – Our minimal cash reserves are generally used to repay borrowings under the revolving lines of credit. *See Note VI-1 (Borrowings and other interest-bearing debt) to the consolidated financial statements, page 172 of this report, for more information about lines of credit and hedging instruments negotiated with banks.*

E. FINANCIAL RISKS ASSOCIATED WITH THE PROPERTY BUSINESS	
Risk factors	**Risk prevention/mitigation measures**
Moderate risk	
16) 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. Financial instruments exposed to interest rate risks include negotiable European commercial paper (NEU CP) and undrawn revolving lines of credit. *See paragraph 3/Market Risk in Note VI-4 (Financial risk management objectives and policy) to the consolidated financial statements, page 175 of this report, for more information about interest rate risks and sensitivity to changes in interest rates.* 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. – 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. Our internal policy consists of hedging at least 70% of debt at all times. At 31 December 2020, 96% of debt was hedged (before taking into account three hedges on a total notional amount of €300 million that will come into effect between November 2021 and November 2022 for a period of five years). *The information needed to evaluate this risk is provided in Note VI-4 c) to the consolidated financial statements (page 175).*

17) 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 38 *et seq.*

18) 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

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

6.2.1. All-Risks Office

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

Consequential losses and expenses are also covered, 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.

6.2.2. Cyber Risks

The Company has been insured against cyber risks since 1 January 2019. The policy 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.

6.2.3. 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.

6.2.4. 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 section 6.2.3. above.

7. Internal Control and Risk Management Procedures Implemented by the Company for the Preparation and Processing of Accounting and Financial Information

(Article L.22-10-35 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

Until 31 December 2020, the Company's internal organisation comprised 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, general services, human resources, information systems, and internal control and audit.

Since 1 January 2021, the Support/Resources function has been reorganised as follows:
– Resources comprises Legal Affairs, Internal Control & Audit and General Services.
– Human Resources reports directly to the Chief Executive Officer.
– Information Systems reports to the Chief Financial Officer.

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 2020 and a comparison with best practices.

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

Signing authority is granted only for payments, with dual signatures required in all cases. A strict segregation of duties is maintained between the authorisation of expenditure and the related payments.

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

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.

In 2020, the Company moved up a gear in the programme to transform each employee's workstation. Virtual workstations connected to a server cluster located in our offices were replaced by laptops offering the on-line collaboration and video-conferencing capabilities that are especially useful for employees working from home.

At the same time, "L'Opus" – a new collaborative intranet to facilitate communications within the organisation – came on stream in September. L'Opus features the powerful document search capabilities needed by all of our teams.

We also set up a data warehouse to store changes in data generated by the main information systems at the end of each day. Financial indicators and reports are generated automatically by a business intelligence system, which is linked to the data warehouse. This system processes dynamic requests sent from any mobile terminal. In 2021, indicators and reports will be added covering routine lease management and asset valuation activities.

Lastly, in line with the three-year IT masterplan covering the period 2018-2020, last year was devoted to adapting a property development and maintenance management solution. All of the Company's expenditures have been managed by this new solution since 4 January 2021.

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 and Development 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.
– Risk of higher vacancy rates and rent arrears due to a global economic and health crisis.

The risks specific to the Company and the industry are described in detail on pages 15 *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 23 and 24 of this report.

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 working 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 Statutory Auditors the financial statements and any significant transactions for the period. The Committee also meets with the Statutory 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 96% of debt at 31 December 2020, with 91% of debt at fixed rates and 5% 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.

Risks have been identified in an environmental charter. Procedures have been drawn up to address these 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 online 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 2020 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 Statutory Auditors by the Annual 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 of the French Commercial Code.
– 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 (NAS) by the Statutory Auditors. The Statutory 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 Public Interest Entity (PIE) and, if applicable, the entity that controls or is controlled by the PIE. The 70% cap applied 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 Statutory Auditors and verify that their 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 2020, 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 Statutory 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 2020

At its meeting on 9 January 2020, the Audit Committee defined and approved the internal audit programme for the year based on the Company's risk map.

The 2020 programme covered the following:
i) Review of the procedure for the issue of rent receipts.
ii) Marketing process.
iii) Construction insurance.
iv) Cyber security tests on SFL's information systems.
v) Cash outflows.

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, the Head of Internal Audit and the Legal Director. The Information Systems Director and the Marketing Director were also invited into meetings to answer the Committee's questions on matters within their areas of responsibility.

i) Review of the procedure for the issue of rent receipts

Objective

The objective of this audit was to obtain assurance concerning the reliability of the rent invoicing procedure.

Background

A similar audit was carried out in 2016. This is a critical process that has a direct impact on the recognition of revenue. As SFL derives the majority of its revenue from renting out its properties, it was considered important to audit it again.

The risks associated with the rent invoicing process include under- or over-billing (due to the misapplication of the related price index), failure to set off rent defaults against the guarantee deposit, and incomplete documentation.

The core strengths of the rent invoicing process are as follows:
– The procedure is clear and explains in detail the various stages of the process, as well as the role of each participant.
– The procedure includes appropriate controls over the entry of leases in Estia, the invoicing process, rent adjustments and the calculation of rents based on the tenant's revenue.
– The rent amount is calculated automatically by Estia.
– Reports are produced in Estia covering rent adjustments, invoices and direct debits, that are used to track the amount to be recorded on each tenant's invoice for the period.
– The members of the Asset Management team are subscribed to the site that publishes the INSEE indices used as the basis for rent adjustments, to enable them to enter the indices in Estia and check that they are correct.

Conclusion

KPMG's main recommendations following this audit were as follows:
– Evidenced controls should be performed systematically over the lease details entered in Estia as of the effective date of the lease or when the first rent invoice is issued, as provided for in the procedure.
– The Estia functions should be enhanced to allow more than one rent escalation index to be entered for a given tenant.
– The settings in Estia should be adjusted to permit the extraction of an annual report listing all the guarantees obtained and all the guarantees provided for in the leases, so that a reconciliation can be performed.
– Evidenced revenue checks should be performed systematically by the asset management assistant before rent adjustments are calculated, as provided for in the procedure.

These recommendations by KPMG mainly concern occasional failures to follow the procedure, which should be corrected. The complex issues associated with the application of multiple indices give rise to technical problems that have so far proved impossible to overcome, not only for SFL but also for the other property companies.

ii) Marketing process

Objective

The audit objective was to obtain assurance concerning the reliability of the process and identify existing controls.

Background

The marketing process was audited in 2015 and again in 2020.

Marketing issues consist of defining the best strategy, marketing vacant units in line with the strategy, finding suitable tenants as quickly as possible and maximising effective rents. The process gives rise to financial risks (signature of leases at below market rents and tenant rent defaults), image risks (poor choice of tenants) and the risk of not controlling rental values.

The core strengths of the marketing process are as follows:

– Preparation and twice-yearly updating of a rolling five-year business plan helps to identify potential lease terminations and new leases and thus define a marketing strategy for the vacant units (work, target rent, marketing period, etc.).
– The regular Marketing Action Committee meetings provide an opportunity to update the marketing strategy and action plan.
– The monthly meetings with brokers help the Marketing Department to track market trends and the progress of marketing operations.
– The majority of marketing mandates are based on more favourable rental assumptions than those on which the five-year business plan is based.
– Marketing mandates have been signed or are in the process of being signed for all vacant units.
– The terms of most of the signed leases are consistent with the nominal rents in Estia and with the five-year business plan approved by the Board of Directors.

Conclusion

KPMG's main audit recommendations were as follows:
– Set up a procedure to systematically check that all marketing reports have been duly received from the brokers.
– Develop a programmed control in Estia to be executed whenever a new lease or an addendum is signed, to ensure that the vacant surface area recorded in Estia is the same as that shown in the Marketing Action Committee's table (this recommendation will be fairly difficult to apply due to the fact that there is no single definition of surface area).

iii) Construction insurance

Objective

The objective of this audit was to obtain assurance concerning the efficiency of current construction insurance purchasing and claims monitoring practices.

Background

The construction insurance process gives rise to a financial risk that could have serious consequences for the Company, particularly in the event of an uninsured claim or a refusal by the insurance company to settle a claim. For this reason, it is important to ensure that controls are in place to limit the risk associated with this process.

SFL did not have any written procedures covering the construction insurance process, which was the responsibility of the Technical and Development Department. As part of an initiative to improve internal control over the process, a procedure was drawn up in the third quarter of 2020 redefining the roles of the various persons concerned. This procedure had not yet come into effect when KPMG performed their audit. KPMG will be asked to perform a new audit once the procedure is being applied, to assess whether it is appropriate and efficient.

As their findings were based on practices before the new procedure came into effect, they will be revised once KPMG has had the opportunity to see the procedure in action.

The strengths of the procedure to purchase and monitor construction insurance policies are as follows:
– A formal procedure drawn up in the third quarter of 2020 clarifies the roles and responsibilities of the people involved at each stage in the process, from the purchase of cover to the monitoring of claims.
– Concerning the purchase of cover, (i) a checklist is prepared of the standard e-mails to be sent for site all-risks cover purchased through the Besse insurance brokerage under the site all-risks component of the comprehensive insurance policy and (ii) an application for structural damage cover purchased through the BMS insurance brokerage must be filled out, dated and signed by the Technical and Development Department for small sites and the Legal Department for large sites.
– Concerning the monitoring process, (i) the Legal Department keeps a monitoring checklist of site all-risks cover purchased under the site all-risks component comprehensive insurance policy, while (ii) BMS monitors the structural damage cover.
– Concerning structural damage claims, (i) a claims management master agreement with Nexity covering structural damage claims provides the basis for analysing whether a structural damage claim should be reported and for monitoring reported claims, (ii) an independent audit of claims under the ten-year builder's warranty is performed before the warranty expires.

Conclusion

KPMG's main recommendations following this audit were as follows:
– Clarify the role of the various internal and external people involved in the Construction Insurance process.
– Set up a centralised management process between the Legal Department and the Technical Department.
– Set up framework agreements for site all-risks/structural damage cover for small sites.
– Monitor document requirements by broker and by site for the purchase of insurance cover.

The new procedure effectively addresses most of these recommendations.

iv) Cyber security tests on SFL's information systems

Objective

The tests, which consisted of anonymously penetrating the system, were performed by SOGETI. Their objective was to test the level of cyber security, determine the risks associated with identified vulnerabilities and propose corrective action to eliminate the weaknesses.

First audit

The audit was performed by SOGETI, a subsidiary of Capgemini which was selected following a call for tenders. The tests performed on SFL's information system showed that the level of security was weak for the audited applications.

Second audit

Immediately after being informed of SOGETI's conclusions, SFL acted to remedy the weaknesses identified by the tests. A second audit was required to check the effectiveness of the corrective measures put in place after the first audit.

Conclusion

After the second audit, SOGETI concluded that most of the cyber security weaknesses had been corrected and that the security level had been improved from weak to satisfactory. The audit therefore ensured that the observed weaknesses were corrected immediately.

v) Cash outflows

Objective

The audit objective was to obtain assurance concerning the reliability of the existing process and compliance with the procedure covering transactions that involve cash disbursements.

Background

The core strengths of the current process are as follows:
– Clear written procedures exist covering the creation of suppliers and amendments to their standing information, the recording and payment of supplier invoices, the management and control of petty cash and tenant reimbursements.
– Appropriate controls are in place to detect any anomalies.
– A system of clearances and bank signature authorisations is in place.
– Rules have been issued for the safekeeping of payment mediums (cash, cheque books).

Conclusion

Following its audit, KPMG recommended the following improvements:
– Formalise an operating procedure to perform bank reconciliations.
– Set up a system of dual controls by Accounting Department staff covering the creation of suppliers and amendments to their standing information.
– Include in the supplier payment procedure the execution of evidenced controls over supplier payment dates by the cash management department before the invoices are paid.
– Remind staff of the specific procedure to be followed for emergency payments and payments to be made before the due date.
– Concerning the safekeeping of payment mediums: (i) bank reconciliations should be reviewed by the Treasurer or a member of the Finance Department, and (ii) bank suspense accounts should be monitored to identify and analyse amounts held in these accounts for more than three months.

8. SFL and its shareholders

8.1. Information about the Company's capital

8.1.1. Changes in capital over the last five years (2016-2020)

Date	Description	Issues			New capital	
		Number of shares issued	Par value	Gross premium	Total number of shares	New capital
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
2020	None	–	–	–	46,528,974	€93,057,948

8.1.2. Ownership structure and voting rights at 31 December 2020

Main shareholders	Total shares	Total voting rights	% interest	% voting rights(1)
Inmobiliaria Colonial, SOCIMI, SA	***38,018,307***	***38,018,307***	***81.71%***	***82.02%***
Prédica(2)	5,992,903	5,992,903	12.88%	12.92%
Other Crédit Agricole group subsidiaries (La Médicale/CA Life Greece/CAA/CACI/CALIE Lux/ PACIFICA/SPIRICA, etc.)	132,287	132,287	0.28%	0.29%
Sub-total Crédit Agricole Group	***6,125,190***	***6,125,190***	***13.16%***	***13.21%***
Sub-total, main shareholders	**44,143,497**	**44,143,497**	**94.87%**	**95.23%**
Free float	2,209,659	2,209,659	4.75%	4.77%
SFL treasury shares	175,818	–	0.38%	–
Total	**46,528,974**	**46,353,156**	**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 2020 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

	2017(1)		2018(1)		2019(1)	
Main shareholders	% interest	% voting rights(2)	% interest	% voting rights(2)	% interest	% voting rights(2)
Inmobiliaria Colonial, SOCIMI, SA	***58.56%***	***58.94%***	***81.71%***	***82.19%***	***81.71%***	***82.11%***
DIC Holding LLC	8.56%	8.62%	–	–	–	–
Qatar Holding LLC	13.64%	13.73%	–	–	–	–
Sub-total DIC Holding and Qatar Holding (acting in concert)	***22.20%***	***22.35%***	–	–	–	–
Prédica	12.88%	12.97%	12.88%	12.96%	12.88%	12.94%
Other subsidiaries	0.30%	0.30%	0.30%	0.30%	0.29%	0.29%
Sub-total Crédit Agricole group	***13.18%***	***13.29%***	***13.18%***	***13.26%***	***13.17%***	***13.23%***
Free float	5.40%	5.42%	4.52%	4.55%	4.64%	4.66%
SFL treasury shares	0.66%	–	0.59%	–	0.48%	–
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 2021
None

Changes in interests disclosed to the Company in 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.

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 2020	Number of SFL shares held by directors[1] at 31 December 2020
Juan José Brugera Clavero	24,775
Najat Aasqui	0
Angels Arderiu Ibars	25
Ali Bin Jassim Al Thani	25
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	**30,985**

(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.

8.4. Transactions carried out by top management and parties closely related to them during 2020

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: 27 March 2020
AMF notification received: 30 March 2020
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: 27 March 2020
AMF notification received: 30 March 2020
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: 27 March 2020
AMF notification received: 30 March 2020
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: 27 March 2020
AMF notification received: 30 March 2020
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: 1 September, 9 and 12 October and 27 November 2020
AMF notifications received: 2 September, 12 and 13 October and 1 December 2020
Market: Euronext Paris
Unit price: €63.00
Number of shares: 3,000

Disclosed by: Prédica, corporate director related to Jean-Jacques Duchamp, director
Type of instrument: shares
Type of transaction: sale
Transaction dates: 9, 16, 17, 18, 19, 25, 26 June, 8, 10, 11 September 2020
AMF notifications received: 29 June, 11 and 15 September 2020
Market: Euronext Paris
Price per share ranging from €59.35 to €71.63
Number of shares: 4,000

8.5. Employee share ownership at 31 December 2020

As of 31 December 2020, employees held 100,030 SFL shares directly and 10,066 SFL shares indirectly through the corporate mutual fund, representing a total of 110,096 shares and 0.237% 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 2020, on 6 July, 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 2020

No stock options were granted to or exercised by the Chairman, the Chief Executive Officer or the Managing Director in 2020. The last stock option plan expired on 12 March 2015, at the end of the options' eight-year life (see Appendix 13.1, page 80).

8.6.2. Performance share plans

Pursuant to the authorisation granted by the Ordinary and Extraordinary General Meeting of 20 April 2018, at its meeting held immediately after the Annual 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 6 February 2020, the Board of Directors drew up the list of performance share recipients for 2020 and decided to award 68,952 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 81 *et seq.*).

8.6.3. Share buyback programme

The Annual General Meeting of 3 April 2020 (fourteenth 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 groups 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 SFL shares 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, 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 (L.22-10-62 from 1 January 2021) 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 3 April 2020.
– 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.

The maximum purchase price for these shares was set at €100 per share and the authorisation was given for a period of 18 months.

At 31 December 2020, the Company held 175,818 shares in treasury, representing 0.38% of the capital.

These shares were purchased for the following purposes:
1. For allocation to SFL Group employees: 130,604.
2. For purchase and sale transactions under a liquidity contract with an investment firm: 375.
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: 21,556.
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 15 April 2021, 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 2020, 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 8 April 2020, 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.*, L.22-10-56 *et seq.*, L. 225-197-1 *et seq.*, L. 22-10-59 and L. 22-10-60 of the French Commercial Code.
– To ensure the liquidity of SFL shares 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, 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.22-10-62 of the French Commercial Code, subject to adoption of the eleventh extraordinary resolution of the Annual General Meeting of 15 April 2021 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 18 months.

8.6.4. Summary of disclosures: Disclosure of treasury share transactions for the period from 1 January 2020 to 31 December 2020

Percentage of capital held by the Company and/or its subsidiaries	0.38%
Number of shares cancelled in the last 24 months	0
Number of shares held	175,818
Carrying amount of the shares	€10,780,412.45
Market value of the shares (at 31 December 2020)	€11,357,842.80

	Cumulative transactions		Open positions on the publication date of programme details			
			Open buy positions		Open sell positions	
	Purchases	Sales/Transfers[(1)]	Purchased calls	Forward purchases	Written calls	Forward sales
Number of shares	24,767	24,642	–	–	–	–
Average maximum maturity	–	–	–	–	–	–
Average transaction price	€68.68	€68.34	–	–	–	–
Average exercise price	–	–	–	–	–	–
Amount	€1,701,073.28	€1,683,974.74	–	–	–	–

Transaction costs under the liquidity contract amounted to €26,800 in 2020.

(1) Not including the 46,494 vested performance shares awarded under Plan no. 4 dated 3 March 2017.

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 laid down by law. Said request will be recorded in the minutes of the Annual 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 31.

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 2020 financial statements, the Board of Directors will recommend paying a dividend of €2.10 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:

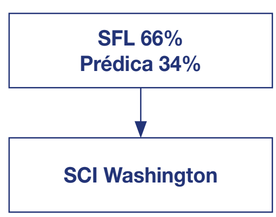
Year	Dividend per share	Portion of the dividend qualifying for the 40% tax allowance	Portion of the dividend not qualifying for the 40% tax allowance for shareholders residing in France	Portion of the dividend classified as a return of capital	Total dividend[1]
2017	€2.30	–	€2.30	–	€107,016,640.20
2018	€2.65	–	€2.65	–	€123,301,781.10
2019	€2.65	€0.28	€2.37	–	€123,301,781.10

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

9. Partnerships

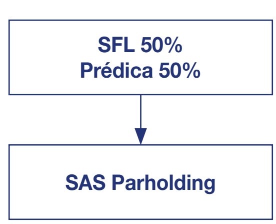
Partner	Joint venture	Main clauses
Prédica[1]	SCI Washington (66%-owned by SFL)	In the case of a change of control (50%) of SFL or Prédica, the other partner has the option of: – agreeing to the change of control[2]; or – acquiring all the shares and shareholders' advances of the other partner; or –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

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)
2020	January	81.00	73.80	23,764	€1.850
	February	83.40	76.00	31,158	€2.507
	March	80.80	58.00	48,681	€3.413
	April	73.00	63.40	35,347	€2.416
	May	70.00	65.20	24,134	€1.643
	June	73.80	67.00	23,443	€1.659
	July	72.40	65.20	13,908	€0.964
	August	68.80	62.20	9,204	€0.603
	September	63.20	55.60	18,654	€1.113
	October	63.00	51.00	25,441	€1.480
	November	64.00	53.80	33,745	€1.981
	December	64.80	61.60	20,828	€1.330
2021	January	68.00	62.80	38,873	€2.531
	February	66.00	62.60	14,095	€0.904

12. 2020 Non-Financial Information Statement

Introduction

Founded in 1879, Société Foncière Lyonnaise has demonstrated its expertise as a property owner and developer to build, maintain and transform its assets. Over those years, by combining a long-term vision with agile responsiveness, it has managed both times of growth and times of crisis with the same spirit of resilience and innovation.

2020 was shaped by a global pandemic that raised new questions about the role of offices, while spurring faster development of certain technologies and the recognition of rapidly shifting office user expectations.

Today, SFL is reaffirming its positioning in the prime segment of the Parisian office market and, in the current uncertain environment, is instilling its business with fresh meaning by setting it on an ambitious course, guided by a renewed commitment to high-quality, results-oriented performance.

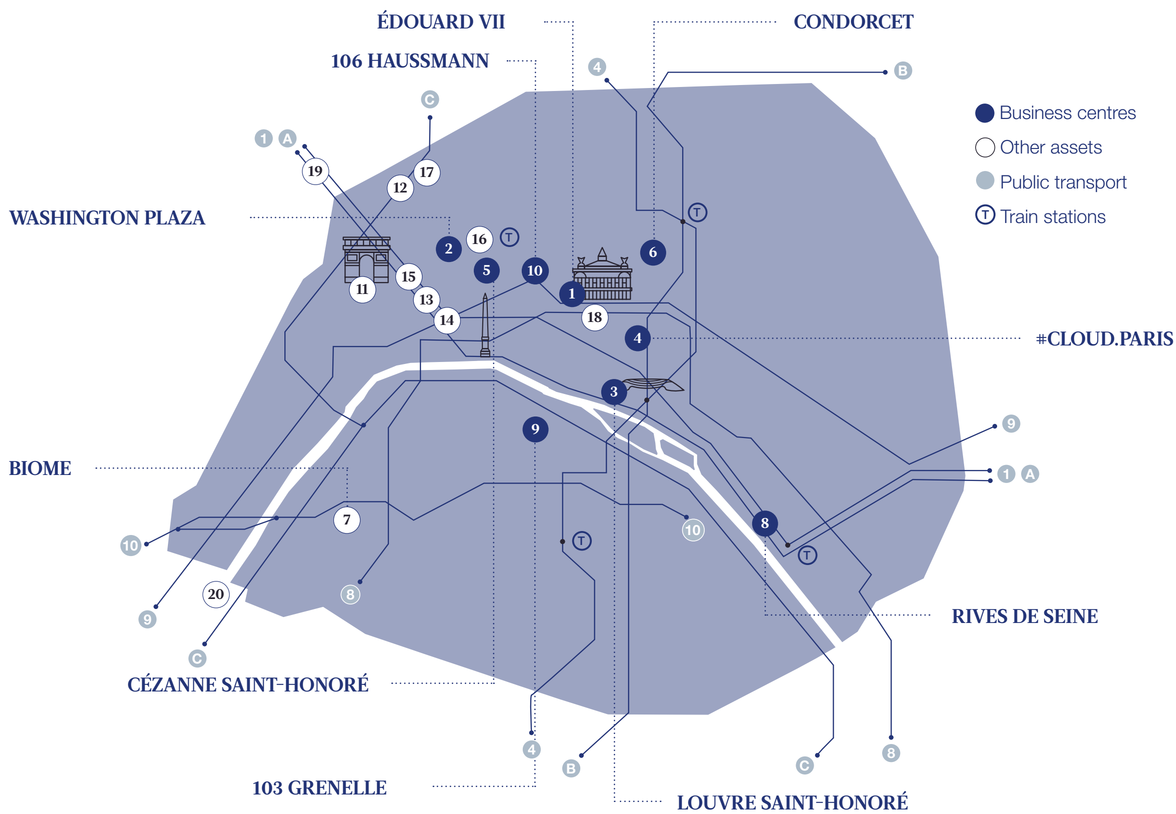
Faithful to its traditional core competencies and seasoned experience, SFL is strategically focusing on its role as an engaged artisan of the Paris cityscape, which is reflected in the assertive corporate social responsibility (CSR) policies that have been in place for almost ten years now. All of the targets set for that period were met in 2020.

Today, a new policy is being defined, active and attentive to the emerging expectations of our tenants, our employees, our shareholders and our partners. The policy is based on our commitment to fostering the desire to work together, around the four core pillars that structure our pragmatic, highly effective action plans.

SFL is a property company focused on prime office real estate. At 31 December 2020, our portfolio comprised 20 assets (80% offices, 19% retail units and a hotel and 1% residential units by value), whose physical occupancy ratio stood at 93.7%.

This clear positioning in the prime Parisian office property market and our organisation by core competency provide a robust foundation for our value creation strategy. Our tenants, totalling around 30,000 users across the portfolio, represent the highest value-added per employee 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, and the Western Crescent.

The consistently remarkable functionality and architectural beauty of these assets stems from the regular commitment of major capital investments, as evidenced by the renovations and redevelopments currently under way or completed over the past ten years. These works reflect the true meaning of our business model, which is to foster the desire to work together.



THE SFL PORTFOLIO: 393,300 SQ.M.

	Paris	Total surface area(1)
1	Édouard VII	54,100 sq.m.
2	Washington Plaza	48,000 sq.m
3	Louvre Saint-Honoré	47,700 sq.m.
4	#cloud.paris	35,000 sq.m.
5	Cézanne Saint-Honoré	29,000 sq.m.
6	Condorcet	24,900 sq.m.
7	Biome	24,500 sq.m.
8	Rives de Seine	22,700 sq.m.
9	103 Grenelle	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	**379,600 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
- Property in the process of being sold at 31 December 2020

(1) Including infrastructure and excluding car parks.
Surface area rounded to the nearest hundred.

In pursuing our prime property strategy, CSR policies rank at the very top of our concerns. These policies are rooted in the CSR issues whose risks and opportunities have been deemed material to our stakeholders and critical to our profitability as a property company. Analysed in terms of risks and opportunities, 12 issues are being addressed through the four pillars of the intangible value of our assets.

1. Our ambition: fostering the desire to work together

In liaison with its tenants, its external stakeholders (municipal and national authorities, residents), its employees and its shareholders, SFL is deeply committed to fostering the desire to work together, by adopting a responsible vision of the future in the development and management of its office buildings. In this way, we hope to:

– Revitalise and reinvent the city.
– Offer our users comfortable, flexible, convivial working environments.
– Project ourselves into a low-carbon future.
– Encourage engagement by our employees and partners.

1.1. Our four pillars

This ambition has been translated into four pillars, each addressing three specific issues. In this way, they cover all of our most material environmental, social and governance (ESG) issues and correlate them with the main risks and opportunities impacting our business model.

OUR FOUR PILLARS

REVITALISE AND REINVENT THE CITY.	OFFER OUR USERS COMFORTABLE, FLEXIBLE, CONVIVIAL WORKING ENVIRONMENTS.	PROJECT OURSELVES INTO A LOW-CARBON FUTURE.	ENCOURAGE ENGAGEMENT BY OUR EMPLOYEES AND PARTNERS.
We want to contribute to defining the new geography of work. We get local stakeholders involved in the design and execution of our urban development projects and focus our capital programs on buildings that are located in vibrant communities and offer excellent real estate fundamentals.	**The world of work is radically changing.** We want our users to look forward to coming to the office and working together, by offering comfortable, flexible spaces, serviced by prime amenities and meeting the highest standards of quality and performance.	**The development and use of property assets is a significant source of greenhouse gas emissions.** It is our responsibility to propose an ambitious low-carbon strategy, pay careful attention to the judicious use of resources and consistently include green spaces and vegetation in our projects.	**Our commitment to working together is supported by a strong desire for transformation and bold thinking outside the box.** Our team, which is entirely in-house, comprises talented people who know how to address these demanding issues. We can also count on our partners, with whom we nurture robust, enduring relationships.
• **Urban footprint** • **Location & accessibility** • **Building resilience**	• **Convenience & amenities** • **Certifications & labels** • **Tenant relations & satisfaction**	• **Low-carbon strategy** • **Circular economy** • **Biophilia**	• **Employer appeal, skills development & diversity** • **Health, safety & quality of worklife** • **Ethics in the value chain**

1.2. 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 these CSR issues. Analysing the risks and opportunities posed by the business model is a core component of our total value creation process.

The highly uncertain worldwide business environment that prevailed throughout 2020 also revealed the strengths of a resilient property sector, capable of effectively responding to future requirements even as they emerge and evolve with increasing speed. Our deep-rooted ties to the city, our constant efforts to deliver well-being and efficiency, and everyone's commitment to a responsible future have been expressed in 12 pathways to improvement, based on the above-mentioned four pillars. This holistic approach is presented and described in the sections below.

Pillar	Main risks	Value created	Find out more about our initiatives
Reinventing the city	Risks related to a building's integration into the urban landscape may arise from possible objections or obstacles to completing a development project or from delays in obtaining administrative permits. A property's location and accessibility could also have an impact on its attractiveness and occupancy rate. Lastly, a building's sustainability has to be improved to limit the physical risks that climate change and obsolescence may entail.	Our properties are located in a dense urban environment and in a city and a region that have made strong commitments to sustainability. As such, we must set an outstanding example. The high expectations expressed by our local stakeholders in terms of urban planning, building use, near-by convenience and environmental excellence are all powerful drivers, encouraging us to propose urban development projects that are seamlessly integrated into their neighbourhoods, perfectly accessible and resilient.	Urban footprint, in section 3.1. Location & accessibility, in section 3.2. Building resilience, in section 3.3.
Comfortable, flexible, convivial environment	In the highly competitive Paris office market, a property company has to deliver real value to attract the most prestigious tenants. This means constantly enhancing building amenities, flexibility and service levels to attenuate the risk of rising vacancy rates and gradual obsolescence of our buildings.	Carefully monitoring changes in the ever-evolving world of work, the latest innovations in amenities, flexibility and well-being, and shifting user expectations offers a myriad of opportunities to improve relationships with our tenants. In turn, this helps to increase tenant retention, facilitate tenant negotiations and secure our rental income stream by maintaining maximum occupancy in our properties.	Amenities & layout, in section 4.1. Certifications & labels, in section 4.2. Tenant relations & satisfaction, in section 4.3.
Low-carbon future	The risks posed by environmental issues are primarily transition risks, reflecting the possible tightening of industry regulations and the emergence of higher stakeholder expectations. This could lead to an increase in property operating and/or construction costs or, to a lesser extent, give rise to reputational and market risks.	Implementing a plan to drive continuous improvement in the environmental performance of our assets, constantly enhancing each building's environmental and health quality, and diligently keeping service charges and capital expenditure under control are all enabling us to pro-actively prepare for future regulations, while continuing to attract and retain our tenants. Similarly, digitizing building management systems (with Facility Management BIM, smart metering, etc.) makes our processes more efficient.	Low-carbon strategy, in section 5.1. Circular economy, in section 5.2. Biophilia, in section 5.3.
Engaged employees and partners	SFL could encounter difficulties hiring for strategic positions if its employer appeal were to decline. In the event of an ethics violation, it could face legal or financial consequences. Its reputation could be negatively impacted and its executives could be held liable.	Competitive, motivating compensation packages and policies governing skills development, quality of worklife and gender equality are helping to enhance our employer appeal. Similarly, the inclusion of social and environmental criteria across our value chain and the engagement and commitment of our stakeholders are helping to forge strong, healthy relationships and maximise the impact of our initiatives. Introducing good governance practices provides an additional guarantee of performance and stability.	Employer appeal, skills development & diversity, in section 6.1. Health, safety & quality of working environment, in section 6.2. Ethics in the value chain, in section 6.3.

2. Key performance indicators

2020 was shaped by an unprecedented health crisis, and we are still feeling its effects. Far from being neglected during the year, ESG issues struck a particularly resonant note with SFL teams, who steadfastly focused on offering increasingly sustainable offices aligned with tenant needs and the evolving health situation, and emitting fewer greenhouse gases.

The year was also an opportunity for SFL to renew its commitment by setting 12 new objectives for 2030. In response to each CSR issue's related risks and opportunities, a corresponding objective has been defined in a detailed roadmap, with clearly identified responsibilities and performance metrics.

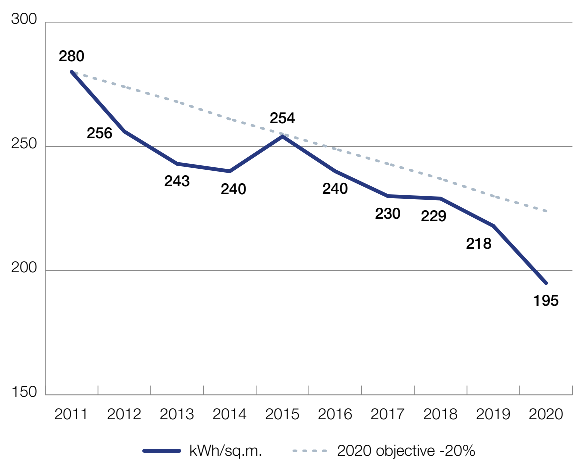
2.1. Main outcomes in 2020

As part of the momentum generated by the Non-Financial Information Statement, which SFL is not required to file but whose approach it embraces, programmes were continued in 2020 to further reduce our greenhouse gas emissions, improve building energy efficiency and strengthen the resilience of our tenant promise concerning climate and societal issues.

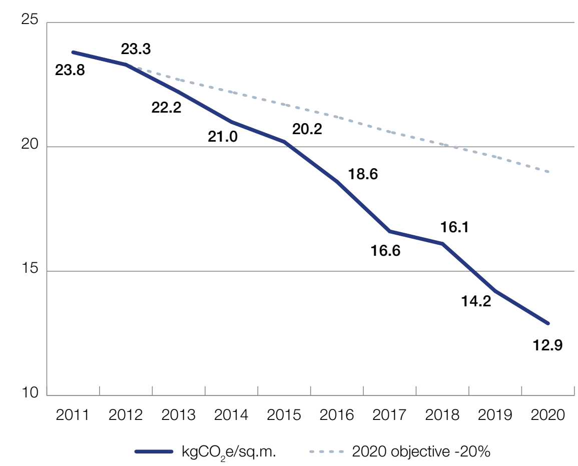
The dedicated efforts were reflected in the progress recorded on the main objectives during the year.

- Like-for-like reductions in energy use intensity and carbon intensity amply exceeded their targets, with declines of 31% and 46% respectively from 2011 to 2020. The new target of reducing carbon intensity by 70% between 2017 and 2030, this time in absolute terms, is a compelling example of SFL's bold ambition.
- SFL office user satisfaction has improved steadily since 2013, with 94% of users satisfied or very satisfied with their experience in an SFL office.
- Lastly, the percentage of payroll dedicated to training exceeded the target from 2015 to 2019, attesting to the attention paid to developing the skills of all our employees, as well as their taste for innovation. Due to the health crisis, the percentage was 2.4% in 2020, as certain sessions had to be cancelled while others were held online.

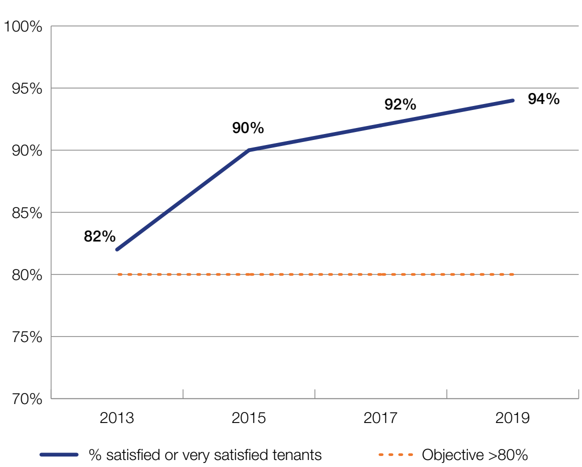
ENERGY USE INTENSITY IN KWH/SQ.M., 2011 TO 2020, LIKE-FOR-LIKE (ADJUSTED FOR CLIMATE CONDITIONS AND THE OCCUPANCY RATE)



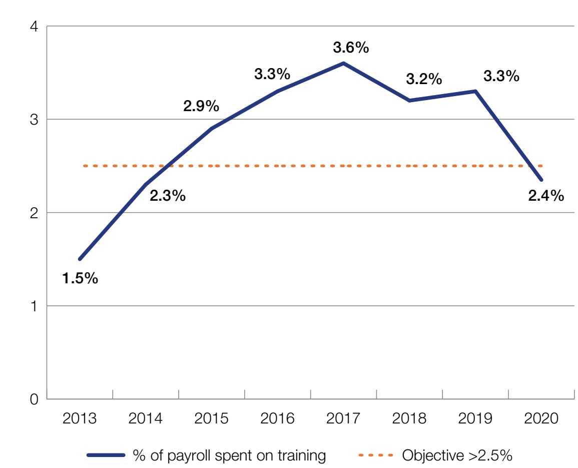
CARBON INTENSITY IN KGCO$_2$E/SQ.M, 2011 TO 2020, LIKE-FOR-LIKE (ADJUSTED FOR CLIMATE CONDITIONS AND THE OCCUPANCY RATE)



TENANT SATISFACTION



% OF PAYROLL DEDICATED TO TRAINING



Significant events of the year included:

- In the unprecedented environment created by the health crisis, the SFL business continuity plan kept our buildings running with uninterrupted user access in optimal sanitary conditions certified under Bureau Veritas' Restart label.
- Resources were also deployed to continue our property development projects – particularly the top-to-bottom redevelopments of the Biome and 83 Marceau buildings – as part of a responsive, communication-intensive partnership with our construction and renovation contractors.
- Lastly, work-from-home arrangements for SFL employees were up and running in less than 48 hours.
- Site clearance and asbestos removal works have begun in the Louvre des Antiquaires building on Place du Palais-Royal, the first stage in the rebirth of an obsolete asset.
- The digital environmental data processing platform, where the digital transition converges with the real estate business, was finalised and successfully used to collect data on water and energy usage.
- Led by its long-term vision for its business, SFL also laid the foundations for managing its energy and low-carbon action plan for the coming decade.

2.2. Recognised performance

SFL ensures that all its reporting processes are aligned with the strictest standards. In addition, we seek assessments of our performance to be carried out transparently and regularly respond to surveys from GRESB and other ESG rating agencies. The recent distinctions and awards from BREEAM, GRESB and the EPRA offer compelling proof of this commitment to continuous improvement and transparent disclosure.

BREEAM

SFL's very early adoption of the Building Research Establishment Environmental Assessment Method (BREEAM) certification for redevelopment projects and BREEAM In-Use International certification for properties in-use, plus the unprecedented certification of every asset in the portfolio since 2012, have been honoured 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.

GRESB

In 2020, the Global Real Estate Sustainability Benchmark (GRESB) awarded SFL the Green Star designation for the ninth year in a row.
The overall score of 91/100 confirmed our position among the top performers, while a perfect 100/100 in seven of the 14 subcategories assessed by the GRESB demonstrated the validity of our ESG policy.
SFL also earned a score of 90/100 in the Development benchmark.

EPRA

SFL complies with the recommendations issued by the European Public Real Estate Association (EPRA) for its CSR reporting.
EPRA-format indicators are presented at the end of this report. Two Gold Awards, in Sustainability and Finance Best Practices Recommendations, were received in 2020.

2.3. Our 2020-2030 targets

Following on from the targets set for 2020, ambitious new objectives have been defined for the next decade.

Divided among the four pillars of our 2020-2030 issues, these 12 objectives align our initiatives with the global objectives being pursued by leading sustainability organisations. They are also the pragmatic, yet ambitious objectives that are guiding the management of our initiatives and our engagement over the shorter and medium terms.

Pillar	Issue	Primary objective
Revitalise and reinvent the city.	Urban footprint	100% of projects subject to in-depth historical heritage impact assessments
	Location & accessibility	100% of office assets located less than a ten-minute walk from a metro/tram station
	Building resilience	100% of assets subject to vulnerability assessments and having the necessary prevention and compliance measures in place
Offer our users comfortable, flexible, convivial working environments.	Convenience & amenities	100% of business centres served by prime amenities
	Certifications & labels	100% of projects and office assets in-use certified
	Tenant relations & satisfaction	>85% of tenants satisfied
Project ourselves into a low-carbon future.	Low-carbon strategy	70% reduction in $kgCO_2e$/sq.m. (Scopes 1 & 2 in tCO_2e) in 2030 vs. 2017
		40% reduction in kWh/sq.m. in 2030 vs. 2017
	Circular economy	Zero final waste from buildings in-use or under development
Encourage engagement by our employees and partners.	Employer appeal, skills development & diversity	>2.5% of payroll spent on training
	Health, safety and quality of worklife	100% of employees surveyed on the quality of worklife every year
	Ethics in the value chain	100% of employees, contractors and suppliers covered by an Ethics Code of Conduct

3. Revitalise and reinvent the city

Revitalising and reinventing the city is a core driver of the strategy to increase the value of our portfolio.

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.

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. One of the value creation strategy's fundamental strengths is the ability to capitalise on each asset's urban footprint, derived from its history, location, easy access and resilience.

Our 2020-2030 commitments

100% of projects subject to in-depth historical heritage impact assessments

100% of office assets located less than a ten-minute walk from a metro/tram station

100% of assets subject to vulnerability assessments and having the necessary prevention and compliance measures in place

3.1. Urban footprint

Given its strategic positioning in Paris and the inner suburbs, SFL is committed to reinventing its existing assets and developing new properties by, on the one hand, embracing their history and original architecture, and on the other, by taking a very ambitious approach to improving their sustainability and reducing their carbon footprint, while encouraging the use of new architectural forms and contemporary design codes.

By engaging with local authorities and stakeholders, SFL gets local residents and public officials involved in the design and execution of its urban projects in ways that build buy-in and foster the project's successful integration into the neighbourhood and the cityscape.

3.1.1. Heritage and architectural quality

Before any project gets under way, a heritage impact assessment is conducted in partnership with historical research consultancy Grahal. This in-depth review, performed by historians, helps to reveal the building's architectural history, determine its heritage or monumental importance and offer a clearer picture of the asset to the project owner and prime contractor.

To properly design an architecturally ambitious yet heritage-sensitive project, our development teams and project architects begin by working closely with a wide variety of public stakeholders, such as the French government heritage preservation architects (*architectes des bâtiments de France* – ABFs), municipal building permit and landscaping departments, *arrondissement* elected officials, and neighbourhood and community associations.

In this same spirit of collaboration, SFL is a long-standing member of France's Architects & Owners Association (*Architecture et maîtres d'ouvrage* – AMO), which promotes constructive relations between architects and building owners.

We are also sensitive to all the urban planning and architectural issues arising from Paris's status as a city of the world, which is why we work with the biggest names in architecture and design, including Perrault, AJN, Jouin Manku, Ana Moussinet and PCA. In this way, we strive to promote rewarding collaborations between renowned architects, engineers and designers, so that a distinctive aesthetic vision, resonant with each building's space, use and size can emerge from their mutually enriching contributions. SFL is committed to aligning its project development and execution strategy with the concept of "urban renewal," by making a concerted, enlightened effort to increase the density of spaces and integrate green, landscaped areas into its building lots and projects.

Given its unique history with Paris, spanning more than 140 years, SFL is proud to uphold the highest standards in preserving and showcasing the city's architectural heritage. What's more, these demanding standards are constantly being reaffirmed in our most iconic projects, such as:

- The reinvention of the Louvre des Antiquaires, the lower-level retail space in the **Louvre Saint-Honoré** building. This legendary property has been successively home to the Grand Hôtel du Louvre, built for the Paris Exposition Universelle in 1855, then the Grands Magasins du Louvre department store and soon the 7,000 sq.m. Cartier Foundation for Contemporary Art. Designed by Ateliers Jean Nouvel, our project is rejuvenating the entire lower part of the building and the 70s-era concrete pillars with a new cut-stone façade that reinterprets the façades of an emblematic Parisian building with clear, pure lines, enhanced by a contemporary canopy opening onto large, full-length bay windows.
- The revival of **83 Marceau** near Place de l'Étoile, led by the highly meticulous vision of French architect Dominique Perrault, in association with French designer Ana Moussinet for the interior design of the amenity spaces. Together, they are recreating a contemporary façade decorated in light-toned Burgundy stone, typical of so many Parisian properties, that surrounds large shadow windows projecting a new image of an iconic building.
- The comprehensive redevelopment and construction of a new building in the **Biome** project on avenue Émile Zola (Paris 15), has been commissioned to a pair of designer-developers, Yrieix Martineau and Jouin Manku et Associés. The project notably includes the landscaping of 3,100 sq.m. of green spaces and outdoor terraces, BBCA certification as a low-carbon building and the introduction of new building programmes and uses, with the creation of 700 sq.m. of housing space, 400 sq.m. of coworking space and a 1,000 sq.m. business centre open to the public.

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 (65% fewer spaces at 83 Marceau),
- the ability to bring natural light into previously artificially lit areas (92% more naturally lit space in Biome).

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.

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.

3.1.2. An engaged citizen of the city

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.

Dialogue and engagement lie at the heart of our strategy. To demonstrate this process, SFL got local residents involved far upstream in the Biome redevelopment project, even before obtaining the administrative permits. Following on from the eight meetings held in 2019, four new neighbourhood meetings were organised in 2020, despite the health crisis, in conjunction with local council members, Paris City Hall and community associations. During each one, our architects and development teams presented the project and the changes made in response to the clearly expressed expectations of residents.

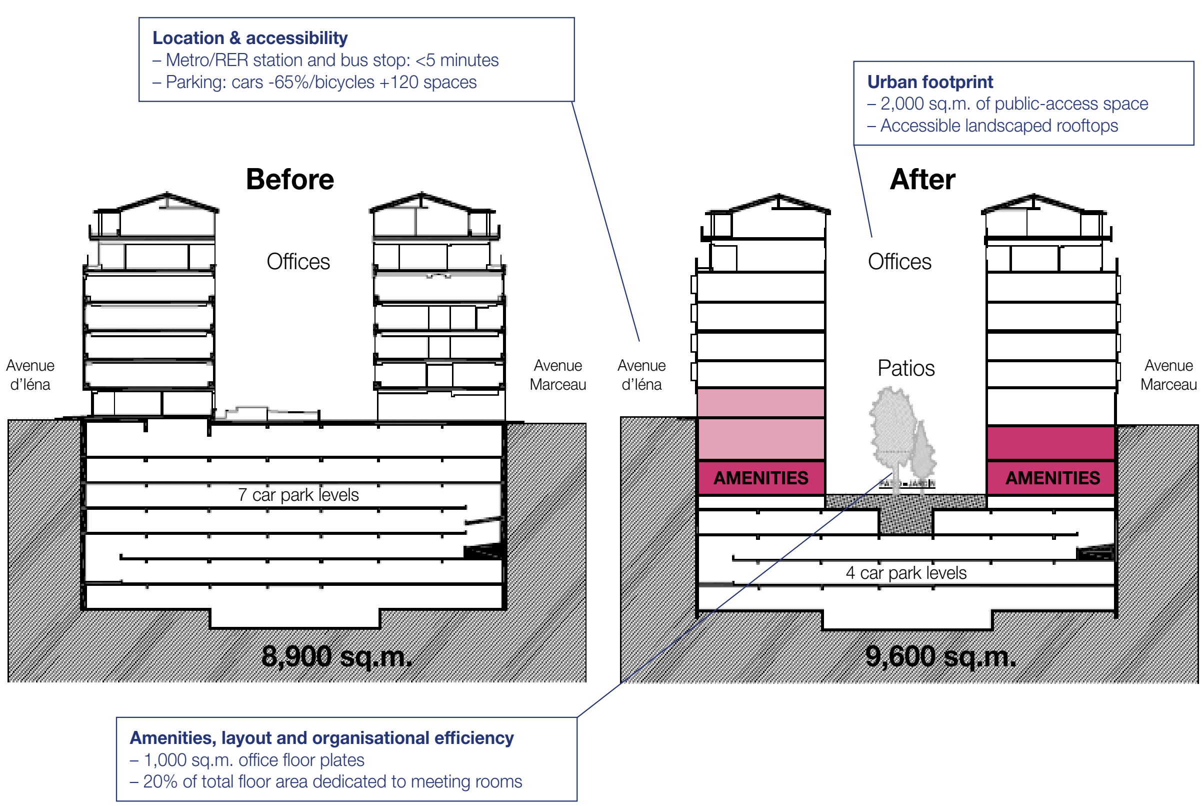
For the Louvre Saint-Honoré project, SFL and the town hall of the first *arrondissement* organised an initial neighbourhood meeting to discuss construction-related impacts with local residents.

To enable residents to follow project updates and works progress, dedicated information and communication media have been deployed, including a website, an on-site project information office and a newsletter for building occupants and neighbours (three issues in 2020).

The local community is primarily represented by their council members. This collaborative process has driven a number of project revisions. At Biome, for example, stakeholder input led to the creation of 700 sq.m. of housing space and a larger number of landscaped areas. The environmental aspects have also been upgraded to make the redevelopment one of the first BBCA-certified low-carbon projects in Paris.

SFL projects are also designed to encourage neighbouring residents to use the building in new ways or to create local jobs (construction work, hiring the underprivileged, charter signed with contractors in favour of hiring locally).

In 2020, 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 2,000 sq.m. of brand new conference space and public-access meeting rooms managed by Sodexo Sports et Loisirs, while a fitness club and user lounge will be created in the centre of the Édouard VII complex. The 176 Charles-de-Gaulle building will offer a new user lounge overlooking the garden and the Washington Plaza complex will have a business centre with a 100-seat auditorium, a central foyer and shared meeting rooms, as well as an *E-bike* station and an *E-park* lot.



3.2. 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 equipped with a diversified array of high-quality amenities and are within walking or cycling distance, or else accessible via the widest possible range of public transport options.

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.

SFL also takes great care to ensure that its buildings are accessible to everyone, with upgrades in recent years making 96% of in-use space wheelchair-accessible. In addition, every new redevelopment project is designed in compliance with the latest accessibility standards.

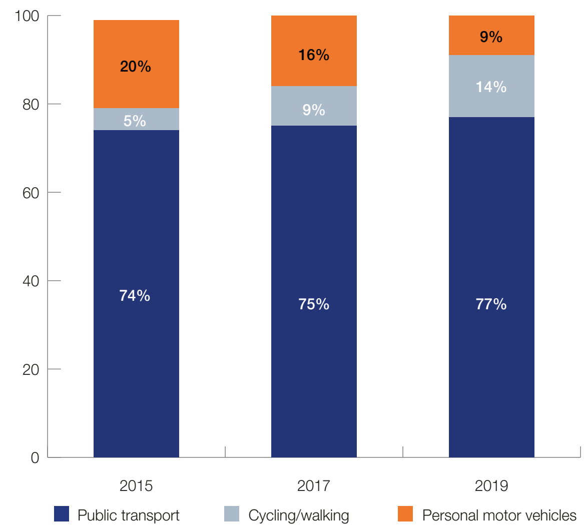
3.2.1. Offices that are exceptionally well served by public transport

Every SFL asset is easily accessible by public and alternative transport, and are all less than a 10-minute walk from a metro or tram station.

This outstanding proximity is directly reflected in the ways in which our office users commute to and from work. In late 2019, for example, the latest satisfaction survey showed that 77% of office users commute to work by metro, tram, train or RER, and 9% drive in by car, motorcycle or scooter, or take a taxi. However, since 2015, we have seen a growing percentage of people cycling or walking (14% in 2019).

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 much shorter than the average in the Greater Paris region 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.

HOW SFL OFFICE USERS COMMUTE TO AND FROM WORK



3.2.2. New forms of urban mobility

The development of new ways of getting around the city and the current health environment are prompting a gradual shift in office users' commuting habits. SFL pays particular attention to these emerging forms of urban mobility and listens carefully to what tenants have to say about their mobility needs.

The Biome and 83 Marceau redevelopment projects are meeting these new mobility needs by reducing the number of parking spaces for cars (by 60% at Biome and 65% at 83 Marceau), systematically adding charging points for electric vehicles and responding to tenant requests for more soft mobility-friendly spaces (with 120 more bike racks at 83 Marceau and 284 at Biome).

In response to tenant needs and aspirations, we are also significantly increasing bike rack capacity and surveying tenant needs for charging points for electrical vehicles in our revenue-generating properties.

At Washington Plaza, a shared mobility zone has been created with 20 shared park & charge spaces to accommodate the growing preference of building tenants and users for electric vehicles. In all, five new assets will be equipped with charging points in 2021.

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

To further improve facilities for employees who enjoy riding their own bikes to work, in May 2020 more than 200 new bicycle parking spots were added across the portfolio, including 60 at Washington Plaza and 50 at Édouard VII.

3.3. Building resilience

As a leading property company with a long-term vision, SFL uses its sustainable capital expenditure strategy to improve the resilience of its assets to ensure their sustainability.

Resilience 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.

This process demands granular understanding of the physical, environmental and health risks that can impact the assets and the deployment of carefully calibrated tracking systems and any necessary prevention and response measures.

3.3.1. Sustainable capital expenditure

2020 strikingly revealed the need to invest in projects that are adaptable, flexible and upgradeable in response to tenant needs and demands.

These tend to focus on two issues:
– highly efficient floor plate design, capable of offering more space to accommodate more employees as the company grows,
– flexible layouts and facilities, to enable staggered starting and quitting times and optimised air flows to comply with the precautionary measures imposed in response to the health crisis. These demands concern both tenant and common areas.

More than ever, our strategy of consistently investing in sustainable buildings is proving its worth.

Recent economic conditions have not fundamentally altered the hierarchy of decision-making criteria among large tenants in the Paris office market. Location and easy access via public transport (good quality metro and bus lines) remain by far the most important criteria, especially since the health crisis has shown that employees no longer accept overly long or unpleasant commutes. Companies also need to adjust as more and more employees work from home, which gives them more flexibility in organising their work[(1)].

The quality of a building is increasingly judged by (i) its technical features and amenities, which is one of the transformation vectors analysed in all of our acquisition projects, and (ii) the medium-term possibility of earning the environmental certifications that now underpin most relocation decisions by large companies based in the greater Paris region. 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.

3.3.2. Monitoring climate risks

SFL assets are exposed to the effects of climate change and the foreseeable increase in the number of resulting extreme weather events. 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. This vulnerability assessment, which was performed on all our assets, may lead to the implementation of additional measures to respond to identified impacts.

The recent summer heat waves enabled us to measure the climate resilience of our buildings. 2020 was the hottest year on record in France, with an average temperature of 14°C, and the Paris region experienced severe heat waves in both 2018 and 2019. Managing these weather events demonstrated that building utilities were appropriately sized and efficiently operated, with no reported malfunctions. Tenants and users were warned of the heat waves beforehand and reminded of the proper precautions and practices. This process was clearly a success, as no negative feedback was reported.

3.3.3. Risk management systems and response measures

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 their occupants.

In 2020, SFL obviously focused on the health and sanitary quality of its buildings, with strong initiatives to ensure a safe, healthy working environment by, for example, differentiating cross-ventilation airflows and optimising air change rates. The Bureau Veritas certification firm was commissioned to audit these health and sanitary initiatives. Nine properties in particular were awarded RESTART certification without requiring any material changes in the buildings, demonstrating the resilience of our assets in rapidly evolving circumstances.

More generally, SFL has long pursued a policy of managing environmental and health risks.

This process is organised around the following steps:
– identifying the risks and issues to address;
– recording inventory for all the utility installations;
– defining measurable targets;
– preparing a methodology to track and meet these targets;
– recording the results.

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.

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;

(1) 2020 Paris Workplace survey, parisworkplace.fr.

– inspecting hot water installations every six months to analyse for legionnaires' disease.

In particular, the last fuel oil-fired boiler, PCB transformers and equipment containing HCFC-type refrigerants have all been eliminated in recent years.

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.

In recent years, systems have also 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 by degree of criticality, along with any remedial actions taken. As of 31 December 2020, 15 of the 17 assets in use and 14 of the 15 operationally managed assets were tracked via the platform.

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

4. Offer our users comfortable, flexible, convivial working environments

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 organisation of our teams and contractors is helping us to optimise our tenant intelligence, align our offering more closely with expectations and validate our strategic focus on properties with a high utility value.

Every two years, a satisfaction survey assesses the quality and consistency of our assets across the portfolio. In addition, every year SFL conducts the Paris Workplace survey of 3,000 managers in the greater Paris 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.

In 2020, the lockdowns sparked significant debate about the role of workspaces. In response, we commissioned two surveys as part of the Paris Workplace campaign to specifically assess the impact of lockdown on office users and their expectations for working from home. Involving a total of 2,000 respondents, these urban workplace surveys were conducted in February before the lockdown and again in September. They revealed important information that is helping to shape how we look at employee expectations.

In addressing the trends and data found in these surveys and studies, SFL is endeavouring to make people and their satisfaction the true focus of its investments, in addition to constantly improving building performance, amenities and features.

Our 2020-2030 commitments

- 100% of business centres served by prime amenities
- 100% of projects and office assets in-use certified
- >85% of tenants satisfied

4.1. Amenities, layout and organisational efficiency

SFL strives to offer superior quality space and amenities in line with tenant expectations, such as landscaped gardens, shared meeting rooms, accessible terraces or rooftops, business centres, public-access areas, a variety of foodservice options, fitness centres, park & charge spaces for electric vehicles, high-quality bicycle storage and coworking spaces.

4.1.1. High operating efficiency and maximum flexibility

We take special care over the amenities, layout and organisational efficiency of our assets, Work time is not governed by a single, finite, compartmentalised space, but by the diversity of places, indoors and out, where we go to work alone or to meet with colleagues. SFL addresses the container, so that companies can eloquently express the content.

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. In the Biome complex, for example, the size and variety of the floor plates support all types of workstyles, from the most collaborative to the most reflective.

With this in mind, all of our buildings are renovated regularly. 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.

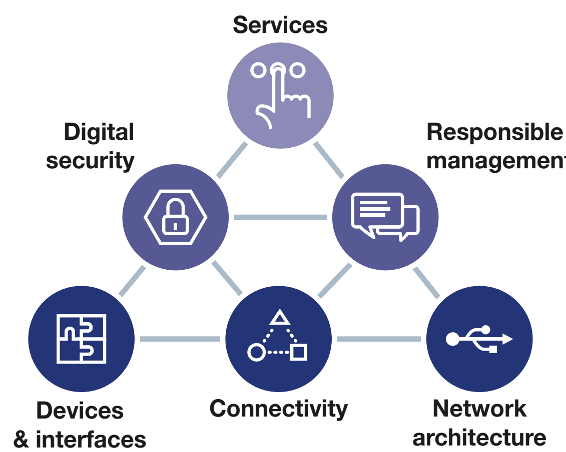
Most of our buildings offer modern, contiguous 1,000 to 3,000 sq.m. floor plates that are highly conducive to organisational efficiency. Ideal depths range from 13 to 18 metres with double exposure, so as to maximise the amount of fixed office space receiving direct sunlight. On the renovated floor plates in the Cézanne Saint-Honoré complex, for example, direct sunlight reaches more than 75% of the surface area, including hallways and restrooms.

Utility installations are sized so that meeting rooms can be positioned anywhere on the floor plate, including in areas exposed to direct sunlight. On average, these rooms account for between 10% and 20% of total floor plate space, with the 83 Marceau, Biome and Cézanne Saint Honoré redevelopments topping the list with meeting space representing nearly 20% of their floor plates.

HVAC and lighting installations are generally sized to offer an occupancy ratio of 10 to 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 usually 2.70 metres. Air flows are also carefully calibrated to run at peak capacity and exceed regulatory requirements (by 50% in Biome, for example). Interior ventilation is also supported by the increasing installation of windows and other openings in every office, enabling occupants to adjust their comfort levels.

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 kept significantly below regulatory limits[1].

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.



4.1.2. Occupants' well-being

Our 2020 Paris Workplace survey of a representative sample of office users in the greater Paris region explored where people think they will work in a post-Covid world.

The survey was conducted before and after the first lockdown, so the findings give an idea of future trends and how society has changed. One might have expected the spring 2020 lockdown to have dramatically changed people's relationship with the office and working from home. Surprisingly, this was not the case. The number one reason why Parisian employees come to the office is to socialise with co-workers, ahead of working more efficiently or being able to work as a team. In fact, the proportion of respondents saying that socialising with co-workers was their main reason for coming to the office actually rose over the period, from 42% in March 2019 to 55% in September 2020.

Across every generation, an overwhelming majority of employees prefer to talk to their co-workers face-to-face, including 81% of 25-30 year olds and 83% of all employees as a whole.

(1) European Directive 2013-35 of 26 June 2013

This confirms the 2019 finding that by enabling people to move around and outside the workplace, the office produced a series of benefits, such as:
– well-being at work,
– collaborative working,
– openness to others,
– better employee relations,
– improved corporate performance.

To feel good at work, people need to see each other in person, to nurture the positive workplace relationships that are the most decisive factor in fostering well-being and performance.

Nevertheless, a new geography of work is emerging. Younger generations prefer workplaces with the shortest possible commute, to the extent that many would accept a cut in salary to work closer to home (59% of the under 35s).

An office building has to be a locus of identity, events and togetherness, an interface with society, in which its full meaning is expressed.

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 5.3. Biophilia for more details).

These spaces and amenities are also being developed on the 83 Marceau project, which features a business centre which is open to the public, with an auditorium and shared meeting rooms, a staff cafeteria, a garden and other common areas.

4.1.3. New amenities and services

SFL's approach to amenities and services is informed by a granular analysis of each building, according to its size, location and tenant base. This enables us to create compelling new uses for common areas that make life easier for employees and nurture closer relationships.

For example, the following new amenities services have been or are being introduced in our buildings:
– Community managers, who play a key role in communicating with tenant employees and facilitating a wide range of services.
– Café areas, which are beautifully and functionally designed by interior architects to offer a variety of spaces for convivial interaction.
– Sports facilities, either through multi-purpose health and fitness rooms, or when possible, full sports clubs managed by a dedicated service provider.
– Large shared meeting spaces and auditoriums, enabling tenants to free up space in their own areas.
– Spaces dedicated to new forms of mobility, such as bike racks and charging stations for electric vehicles, in response to emerging expectations of both the Paris municipality and our tenants.
– New digital and print media, with an application and a newsletter to facilitate communication and dialogue with users.

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

Two examples of these amenities expansion programs added a fitness centre and an herbal 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 83 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.

4.2. Certifications and labels

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, since 2012, we have ambitiously sought very high level environmental certification for all of our assets in-use and for each refurbishment and development project.

4.2.1 All properties in-use certified to the BREEAM In-Use standard

In 2012, SFL became the first European property company to pioneer BREEAM In-Use certification for all its assets in-use, i.e., for 17 properties representing nearly 360,000 sq.m. of leasing area as of end-2020.

Since 11 May 2020, the BREEAM In-Use certification process comprises two parts that help to holistically assess an asset's total environmental performance in-use:
– Part 1 – Asset: the performance of the asset 17 assets certified.
– Part 2 – Building Management: the management of the asset: 13 assets certified.

Our objective is for each successive audit to result in a rating upgrade. Since 2016, all of the certifications, in both parts 1 and 2, have been rated Very Good or higher.

100% of assets in-use certified since 2012

>50% of square metres in-use rated Excellent

4.2.2. Earning triple certification and/or labelling for redevelopments

Certifications and labels 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-2020) 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 has also earned the BBCA Rénovation low-carbon building label, reflecting the ambitious vision that guided the SFL greenhouse gas emissions experts when working on the project.

Biome

– BREEAM Refurbishment: Excellent
– LEED Core and Shell: Gold
– HQE Rénovation: Exceptional
– BBC-Effinergie: Renovation
– BBCA: Renovation
– Biodivercity: Excellent
– Wired score: Gold

83 Marceau

– BREEAM Refurbishment: Excellent
– LEED Core and Shell: Gold
– HQE Rénovation: Exceptional
– BBC-Effinergie: Renovation
– Ready 2: Amenities

4.3. Tenant relations and satisfaction

With a portfolio that is highly consistent in terms of quality and location, it is essential for all our teams to gain a thorough understanding of the expectations of our tenants and their employees, so that we can address their needs by designing just the right products and solutions.

4.3.1 Constant dialogue with tenants

Dialogue is an integral part of our corporate DNA, it plays a critical role in our ability to satisfy our tenants, meet their expectations and capture their feedback and perceptions of our properties, amenities and services.

Our Asset Management and Tenant Management Department interacts with tenants every day and, through a variety of initiatives, gets them involved in:
– our environmental initiatives,
– expressing their feedback and their service and amenity needs,
– and more recently the health measures.

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 month 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 building-specific tenant and user newsletters, such as *Le journal le 42* for the Washington Plaza building. With each issue focused on a single over-arching theme, these newsletters offer tenant employees the latest news about the building and the neighbourhood, including cultural events, new restaurant openings and shopping opportunities. They also keep users informed of the green initiatives being undertaken in the building.
	Events: To nurture long-term relationships with our contacts, we bring tenants together twice a year in a different setting, with a preference for one of our properties to share progress on our projects and demonstrate the expertise of our teams.
	Activities: Activities 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.

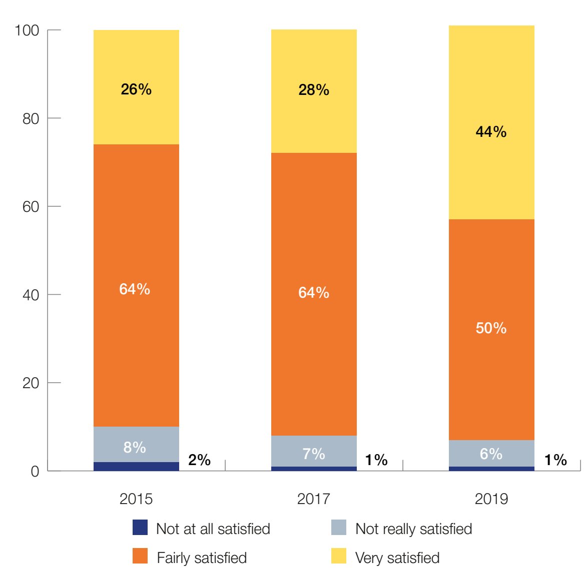
4.3.2. Tenant satisfaction, the cardinal direction of everything we do

Every two years, SFL carries out a survey of all its tenant employees to measure their satisfaction and expectations in terms of workstyles, amenities and environmental performance with HEC Junior Conseil.

In all, 750 people responded to the last satisfaction survey conducted in 2019. 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 their well-being at work a score of 7.6/10 (compared to 6.8/10 for the managers in the greater Paris region surveyed in our Paris Workplace benchmark). They work in an open space office, consider on-site amenities to be fundamental and would opt for better waste management if they had to choose an environmental or social programme.

More than 94% of satisfaction survey respondents said that they were satisfied with their offices, amply exceeding the targeted 80%, while the percentage of highly satisfied users rose to 44% from 28%.

TENANT SATISFACTION



5. Project ourselves into a low-carbon future.

Rising greenhouse gas emissions are radically changing the Earth's climate. The latest findings from the Intergovernmental Panel on Climate Change (IPCC) shows that the increase in global warming must to be limited to 1.5°C above pre-industrial levels. We are almost there, which means that we have to commit to an ambitious low-carbon policy.

The construction industry accounts for nearly one quarter of all greenhouse gas (GHG) emissions in France[(1)], making it a major challenge in the fight against climate change. 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. SFL has embraced its active role in this national strategy and has pledged to further reduce its carbon intensity by 70% between 2017 and 2030.

Sustainably operating our assets also requires using resources more judiciously, diligently managing our energy and water use and constantly engaging on environmental issues with partner contractors during the works phase and building management partners and tenants during in-use operation.

Our 2020-2030 commitments

70% reduction in $kgCO_2e$/sq.m. (Scopes 1 & 2 in tCO2e) in 2030 vs. 2017

40% reduction in kWh/sq.m. in 2030 vs. 2017

Zero final waste from buildings in-use or under development

5.1 Low-carbon strategy

Early on, SFL set a highly ambitious target to reduce its greenhouse gas emissions, aiming for a 20% reduction in $kgCO_2e$/sq.m. between 2011 and 2020. This objective was amply exceeded, with a 46% reduction by end-2020.

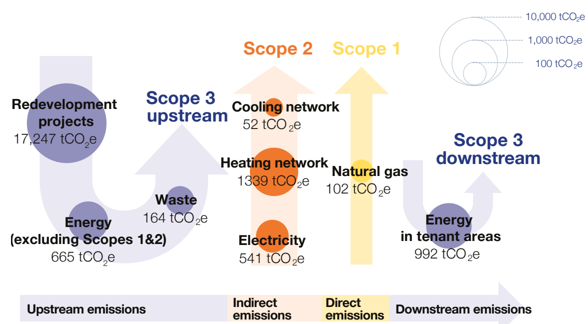
Our new target takes this ambition to the next level, with an objective of reducing $kgCO_2e$/sq.m. by 70% between 2017 and 2030.

Our carbon roadmap also reflects our commitment to:
- Measuring our Scope 3 emissions more accurately and reducing them.
- Improving our energy efficiency.
- Using increasingly lower carbon energy sources.
- Earning validation by the Science Based Targets initiative of our pathway to limiting warming to less than 1.5 °C.
- Continuing to embed carbon considerations more deeply into our investment decisions.

5.1.1. Measuring and managing the broader carbon footprint

Carbon emissions from energy used in SFL-managed buildings represented 2,033 tCO_2e in 2020, of which 102 tCO_2e directly from Scope 1 sources and 1,932 tCO_2e indirectly from market-based Scope 2 sources. SFL is also extending its carbon footprint measurements to include the main Scope 3 sources.

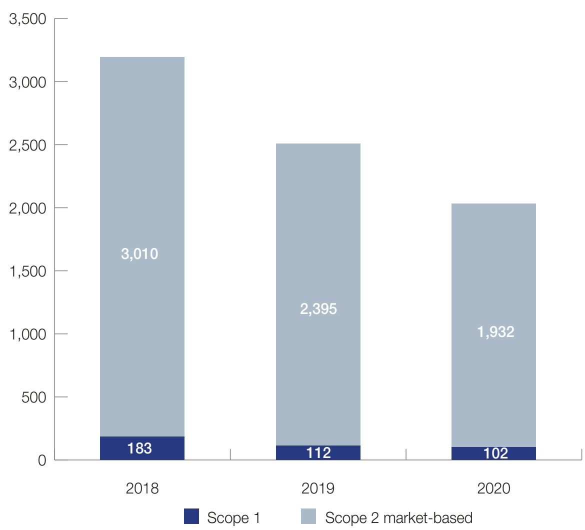
MARKET-BASED SCOPES 1 & 2 EMISSIONS AND MAIN SCOPE 3 SOURCES, IN TCO_2E



On a like-for-like basis, market-based Scopes 1 & 2 emissions fell sharply between 2018 and 2020, with an almost 1,160 tCO_2e reduction corresponding to declines of 44% in Scope 1 emissions and of 36% in Scope 2 emissions.

(1) 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.

REDUCTION IN GHG EMISSIONS – SCOPES 1 & 2 ABSOLUTE, IN TCO_2E



CHANGE IN ENERGY USE BY TYPE, IN MWH

5.1.2. Improving energy efficiency

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 ambitious national objectives will require targeted investments 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.

Supported by two recognised experts, SFL has prepared a new strategic plan to improve energy efficiency, which is aimed at reducing energy intensity by 40% between 2017 and 2030. The plan got under way with an initiative to increase the amount of collected consumption data and improve its quality. At the same time, we began designing a technical master plan covering the entire portfolio.

Final energy use by the properties owned and managed by SFL in 2020 represented some 60 GWh, of which 44 GWh (74%) concerned common areas and heating and air-conditioning delivered to tenant areas.

(1) 2015 figures from ADEME.

On a like-for-like basis, total energy use from all sources fell by 20% from 2018 to 2020.

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 31% like-for-like from 2011 to 2020, 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.

The 2020 target of a 20% like-for-like reduction was amply exceeded. The new target aims to deliver another 40% improvement in energy efficiency in kWh/sq.m. between 2017 and 2030, this time in absolute terms, in line with the provisions of France's commercial real estate energy savings decree.

5.1.3. Transitioning to lower carbon energy sources

SFL is also committed to increasing the proportion of low-carbon sources in the energy mix. Already, more than 70% of the energy used across the portfolio is from electricity, which is very low-carbon in France. The use of fossil fuels, on the other hand, is marginal, with the only such fuel, natural gas, representing less than 1% of the total energy mix. The remaining energy used comes from district heating (15%) and cooling (14%) systems.

SFL is striving to further improve this energy mix, led by the following initiatives:

– Gradually phasing out use of the most carbon-intensive fossil fuels:
  - Replacing the last fuel oil-fired boiler with a natural gas-fired installation in the spring of 2018 contributed to a 44% year-on-year reduction in Scope 1 emissions in 2020.

– Selecting energy solutions with smaller carbon footprints:

- Installing a heat pump in the Galerie des Champs in November 2020 is expected to significantly reduce the asset's CO_2 emissions.
- 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 low emissions factor).

– 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 SFL's directly managed assets will come from renewable sources also had a significant impact on Scope 2 emissions.

5.2. Circular economy

SFL supports the circular economy by developing and managing real estate assets in ways that limit the use of natural resources and the production of waste.

This commitment addresses three main issues:
– Building materials, particularly their reuse in renovation and redevelopment projects.
– The recovery, recycling and reuse of building waste.
– Managing water use in properties in-use.

It is also reflected in our approach to redevelopment projects, which are shaped by in-depth historical heritage impact assessments, reuse of existing structures and close attention to the original building architecture. This helps to limit the amount of demolition and therefore the use of natural resources when new structures are built.

5.2.1. Using resources judiciously

The French construction industry produces some 50 million tonnes of waste a year, far more than the approximately 30 million tonnes thrown away by households[(1)].

In its redevelopment projects, SFL seeks to mitigate this impact by implementing clearly defined policies to reduce its worksites' environmental footprint and by demanding and monitoring contractor compliance. These policies cover four main solutions:
– reusing materials from the existing building on-site,
– reusing salvaged materials on-site or selling them for reuse via online marketplaces when they cannot be used on-site,
– using bio-sourced materials or less carbon-intensive alternatives,
– recycling and/or diverting demolition waste.

400 sq.m. of stonework and **6,400 sq.m.** of raised access floors reused on Biome

4,000 cu.m. of low-carbon concrete used on Biome

More than 99.5% of demolition waste from the Biome and 83 Marceau projects was diverted from landfill

The two redevelopment projects currently under way, Biome and 83 Marceau, are both covered by clearly defined worksite guidelines designed to earn certification according to the industry's standards, with a strong focus on materials reuse and disposal.

Biome, in the 15th *arrondissement* of Paris, has been awarded the Bâtiment Bas Carbone renovation label for low-carbon buildings. In designing its redevelopment, particular attention was paid to the possibility of reusing materials from the existing building on-site. More than 400 sq.m. of stonework will be cleaned and reused, and salvaged marble will be reused as terrazzo in the new restrooms. More than 60% (4,000 cu.m.) of the poured concrete will come from less carbon-intensive alternatives and half of the raised access floor slabs (more than 6,400 sq.m.) will be reused. These two initiatives alone represent nearly 2,500 tCO_2e of avoided emissions.

On the 83 Marceau project, more than 7.4 tonnes of salvaged materials were recovered in 2019 and sold on online marketplaces, giving plant and flower boxes, doors, stair steps, raised flooring, air extract units and lighting fixtures a second life.

In addition, kitchen equipment from the former Louvre des Entreprises staff restaurant was donated to the Coop'Cot association, which runs a participatory co-op grocery store in the Créteil suburb of Paris.

Disposal of end-of-life demolition waste was also explored, with the result that 99.9% of site clearance waste from 83 Marceau (nearly 9,840 tonnes) and 99.5% from Biome was reused as materials or burned as fuel. The ultimate goal is to produce zero final waste during both the development and in-use phases by 2030. A detailed review will be conducted when each of these projects are delivered in 2021 and 2022, respectively.

5.2.2. Waste recycling, recovery and reuse

In 2020, some 580 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)].

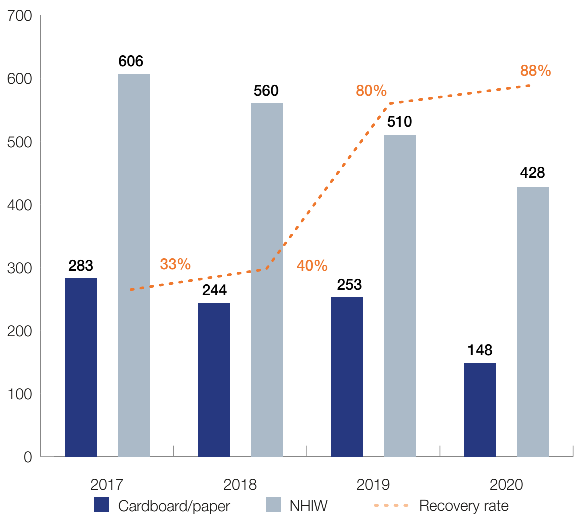
Properly managing building waste involves offering tenants an increasing array of sorting solutions and ensuring that waste collected by service providers is recycled or otherwise recovered and reused as appropriately as possible.

(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.

On a like-for-like basis, the amount of waste has been reduced by 28% since 2018, to 24kg per user per year.

The amount of waste produced has been steadily declining in recent years, led by heightened tenant sensitivity and the gradual digitization of our working practices. The reduction was even more pronounced in 2020 due to the health crisis and the steep fall-off in office use during the year.

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



Of total waste produced, 26% is directly sorted on-site and 88% is ultimately recovered and reused, mainly by being recycled or burned as fuel in waste to energy facilities. The recovery rate has risen sharply year after year since 2018, 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.

5.2.3. Managing water use

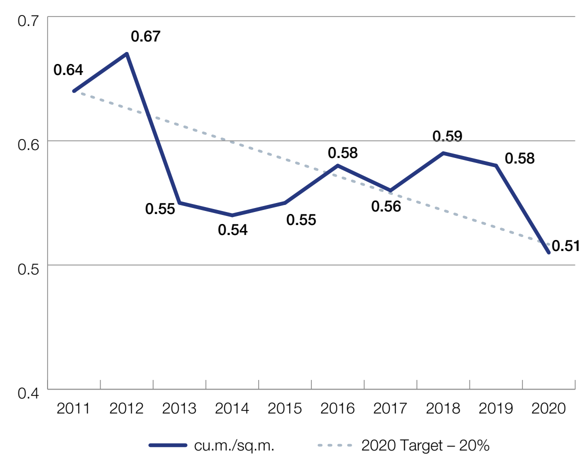
SFL buildings are supplied by the city water system, which sources water from aquifers and rivers, makes it potable and then distributes it to the buildings' water supply connections. All of our buildings are located in Paris or the Paris region, which means that they are not very exposed to water stress risk(1).

We are nevertheless 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 have rainwater recovery systems: 92 Champs-Élysées, Washington Plaza and #cloud.paris.

The buildings owned and managed by SFL used some 13,300 cu.m. of water in 2020, representing around 29 litres per user per day. On a like-for-like basis, water use declined by 17% from 2018 to 2020.

The objective of reducing water use intensity across the portfolio by 20% like-for-like between 2011 and 2020 has also been met, with a total 20.2% decline over the period.

ANNUAL CHANGE IN WATER USE INTENSITY BETWEEN 2011 AND 2020 LIKE-FOR-LIKE IN CU.M./SQ.M., ADJUSTED FOR OCCUPANCY RATES



5.3. 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.

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

5.3.1. Increasing planted and landscaped areas in properties

Landscaping is an essential part of every redevelopment project. As of end-2020, green walls and other planted areas represented some 8,500 sq.m. or more than 9% of the portfolio's total footprint.

SFL wants to further extend the planted and landscaped areas across its portfolio. 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.

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.

Green spaces, plants and landscaping are also 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 a diversity of 35 trees and 25 shrubs. In addition, the project is seeking BiodiverCity® Excellent certification.

The equivalent of 9%
of the portfolio's footprint is planted and landscaped

Biodivercity
Excellent certification for the Biome project

0 sq.m.
of additional soil space sealed over the past 10 years

5.3.2. 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. No additional soil space has been sealed during the redevelopment projects completed over the past 10 years.

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. Lastly, our green space operating contracts include a "zero pesticides" approach to ensure that these areas do not generate any health risk.

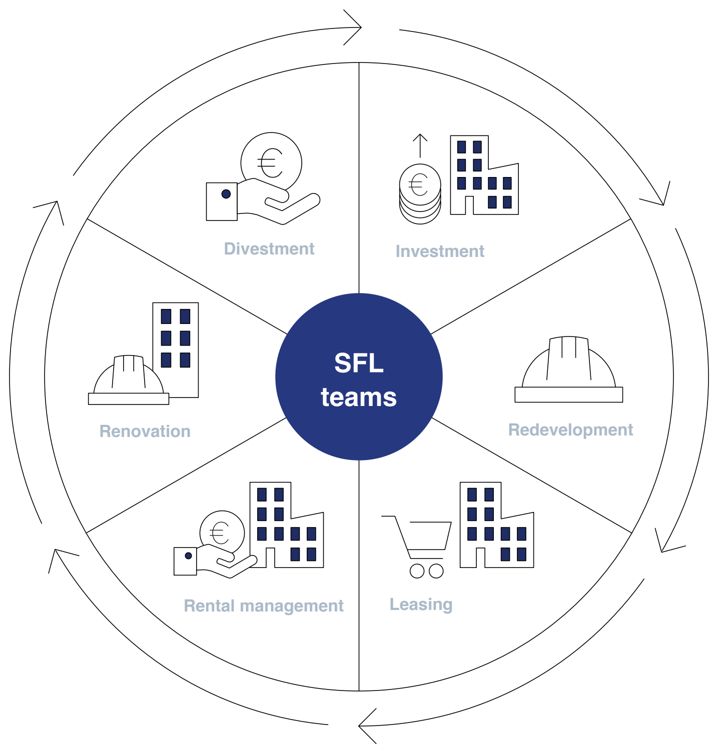
6. Encourage employee engagement across the value chain

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

SFL has fully integrated, in-house capabilities across the value chain, giving it a significant competitive advantage in a commercial property market where such an approach is far from systematic. By bringing all the necessary expertise and capabilities in-house, SFL is not only more agile and responsive, it can also take a holistic view of each project.

Our property development and management businesses require close coordination in a spirit of cooperation with a wide variety of stakeholders, including local residents, public authorities, prime contractors, architects, multi-technical contractors and shareholders.

That is why we constantly strive to deepen engagement among all our employees and partners across the value chain, thereby fostering a desire to work together.



	Investment	Redevelopment	Leasing	Rental management	Renovation	Portfolio management
SFL teams	• Strategy, investments and transactions team	• Technical and development team	• Leasing and asset management teams	• Rental management and technical teams	• Technical and development team	• 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

Our 2020-2030 commitments

>2.5% of payroll spent on training

100% of employees surveyed on the quality of worklife every year

100% of employees, contractors and suppliers covered by an Ethics Code of Conduct

6.1. Employer appeal, skills development & diversity

Developing employee skills, attracting and retaining talent and promoting diversity and gender equality in the workplace are real challenges for SFL, given the size and structure of its workforce (fewer than 100 employees, mainly managers) and internal organisation (based on integrated teams interacting with each other and active across the value creation chain).

With this in mind, our ongoing objective is to dedicate more than 2.5% of total payroll to training each year and to offer competitive, incentive-based compensation packages that uphold our gender equality principles and commitments.

SFL had 72 employees at 31 December 2020, of whom 70 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 60% of the total, and 79% 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.

6.1.1. Attracting and retaining talent

Six new employees joined the SFL corporate community in 2020, of whom five under permanent contracts and one under a seasonal fixed-term contract, while eight people left during the year (including one at the end of a seasonal fixed-term contract signed over the period)[(1)].

Working from home, an important aspect of employer appeal and work-life balance, was introduced in January 2020 in accordance with the agreement signed on an experimental basis in December 2019.

After being expanded in response to the health crisis, these arrangements enabled SFL to complete the hiring process for two employees during the lockdown and to ensure business continuity without resorting to furloughs.

Similarly, there were no health crisis-related redundancies during the period, and each employee departure during the year was offset by external recruitment.

As part of its commitment to employee skills development, in 2018 SFL revamped its annual performance and career development review process. Deployed in 2020 for the third year in a row, the new digital module supported the broader roll-out of annual performance and career development reviews, including remotely for employees working from home. In addition, the two half-day managerial training sessions were refreshed, with a special focus on three management modes: face-to-face, online and cross-functional.

Based on the average number of employees in 2020 (72) and the number of employees under permanent contracts who were hired or left during the period, the turnover rate was 6.24%, versus 14.23% in 2019[(2)].

On the same basis, the average seniority of employees on payroll at 31 December 2020 was 10.5 years, versus 11 years in 2019.

Remuneration and benefits

To encourage our employees' professional advancement and engagement, policies are in place to offer them fair, attractive and incentive-based remuneration.

Direct remuneration

Each employee is paid a salary and a variable performance-based bonus. In 2020, the target bonus represented on average 17% of the employee's base salary (excluding Management Committee members).

The amount of this target bonus was not reduced in 2020, despite the impact of the health crisis during the year.

For employees on payroll at 31 December 2020, total remuneration for the year (salary and bonus) averaged €70,350, again excluding Management Committee members.

Indirect remuneration

A total of €1,021,865 was paid out to employees in 2020 under discretionary and non-discretionary profit-sharing plans.

To optimise the employee savings and pension plans, in 2020 it was decided to change the fund manager and expand the range of investments offered to employees under the Employee Sharesave Plan (PEE) and the Group Pension Savings Plan (PERECO), set up in 2019 as an extension of the similar PERCO plan.

Following the conversion of the PERCO plan into a PERECO plan in October 2019 in accordance with France's PACTE Law, the maximum matching contribution added to an employee's personal investment was raised from €4,500 to €4,860 in 2020 to further encourage employees to save for retirement.

As a result, SFL's financial support for employees saving for retirement amounted to €223,310 in 2020, versus €222,307 the year before, with 58 employees receiving an average matching contribution of €3,850.

In 2020, bonus shares were again granted to officers and employees, this time to 56 people (of whom 53 employees) representing 74% 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 five employees hired under seasonal fixed-term contracts and seven departures. Hiring, separation and workforce data at 31 December 2020 are presented in detail in the table of EPRA employee indicators in section 7.6.3. below.
(2) Turnover calculation formula: (Number of departures during the period + number of new hires during the period)/2/average number of employees over the period.

6.1.2. 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 2020, for example, training sessions primarily focused on asset management, financial management, law, business management, office technology, languages, security and safety.

To encourage employees to develop their existing skills and acquire new ones, SFL has set a target of dedicating 2.5% of payroll to training and skills development.

In line with this goal, training expenditure amounted to 3.2% of payroll in 2018 and 3.3% in 2019, but declined to 2.4% in 2020 after the health crisis forced certain sessions to be cancelled and others to move online.

Nevertheless, more than 1,250 hours of training were offered to 58 employees, representing an average of 22 hours per trainee(1).

6.1.3. 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.

Gender equality

After the previous agreement expired in December 2020, a new three-year gender equality in the workplace agreement was negotiated and 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 2020, 53% of SFL managers were women.

Five of the six employees hired under permanent or fixed term contracts during the year were women.

Similarly, four of the five people promoted as of 1 January 2020 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 2020, 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 21 hours in training (24 hours for men). Out of the average number of employees in 2020, 77% of men and 83% 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 2020, 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 3.3% year-on-year in 2020, versus 3% for men(2).

(1) Training data at 31 December 2020 are presented in detail in the table of EPRA employee indicators, section 7.6.3. of this report.
(2) Gender equality in the workplace data at 31 December 2020 (number of employees, training, remuneration) are presented in detail in the table of EPRA employee indicators, section 7.6.3. of this report.

Other diversity indicators

Seniors and young people

SFL also attaches particular importance to combating age-based discrimination. The average age of employees is 45. As of 31 December 2020, employees aged 45 or older represented 53% of the workforce and people under 35 represented less than 20%.

People with disabilities

As part of its policy of supporting employment opportunities for people with disabilities, in 2020 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 2020, 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. To help finance these programs, SFL allocated a portion of its apprenticeship tax due for the year to ARPEJEH.

6.2. Health, safety and quality of worklife

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

The survey is conducted using an online questionnaire sent to every employee and covers seven issues: the sense of corporate community, management, job fulfilment, working conditions, corporate discourse, authority as support and team projects. It may be supported by personal interviews with employees who request one, and the findings are reported in full.

Due to the lockdown and the health crisis, the survey could not be carried out in 2020 but will be conducted again in 2021.

6.2.1. Health and safety

In 2020, our employee health and safety policies were actively pursued, with:

- 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.

No occupational diseases or workplace accidents were reported in 2020 and only two commuting accidents were reported during the year.

6.2.2. Quality of working environment

The 2020 statutory annual pay round also led to the signing of a new gender equality in the workplace and quality of worklife agreement in December, which endorsed the continued option to work from home in line with the trial agreement signed in 2019. After the latter agreement expired in December 2020, it was agreed to initiate talks in 2021 with the goal of signing a new agreement in compliance with the provisions of the November 2020 national cross-industry agreement (ANI).

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 2020, the rate stood at 0.78%, down from 0.67% in 2019.

6.2.3. Work/life balance

The trial work-from-home agreement signed in 2019 and the commitment to opening talks to extend it in 2021 reflected the desire of SFL management and employee representatives to offer arrangements that would improve both job performance and the quality of worklife by encouraging a more fulfilling work-life balance, while preserving the current work organisation and sense of corporate community.

When work-from-home options were expanded in response to the health crisis, particular attention was paid to preventing the psychosocial risks related to these practices, with internal guidelines prepared and issued to employees and their managers. Similarly, during this same period, the configuration and location of SFL's offices facilitated a gradual return to in-person work for willing employees, which helped to sustain their ties to the company and the corporate community.

As of 31 December 2020, SFL had 68 full-time employees and four part-time employees. Three of the four part-time contracts correspond to employees who have chosen to work fewer hours, as opposed to being forced to for organisational or operational reasons.

6.3. Ethics in the value chain

SFL strives to ensure that its ethical commitments are shared, not just by employees, but by every stakeholder in its business.

It further believes that compliance with these principles provides a solid bedrock for fostering healthy and sustainable relationships. It is therefore on that basis that SFL is assertively instilling an ethical approach into every link in the value chain.

6.3.1. Ethical principles

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.

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.

Employees may contact the Internal Control Department if they have any questions about professional ethics or conduct.

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.

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 2020, 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.

No cases of bribery came to light in 2020 and the Group was not subject to any disciplinary measures. No political donations were made, in accordance with French legislation, which bans such practices.

6.3.2. Engaging with our partners and continuous improvement programmes

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

Our continuous improvement strategy is led by the Environment and Sustainable Procurement Manager and includes measuring the total cost of purchases and managing environmental and social impacts across the value chain.

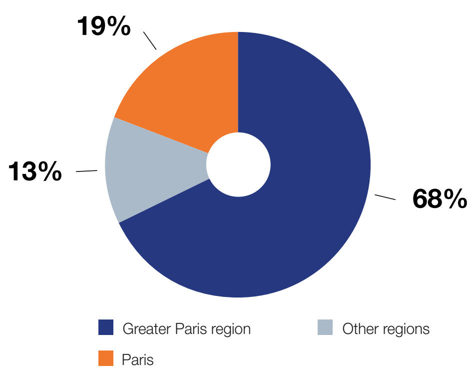
Key aspects of the strategy include:
– Integrating CSR criteria into the supplier selection process;
– Updating operator and contractor specifications to include CSR performance indicators;
– Fostering best-in-class supplier relationships;
– Analysing opportunities for improvement;
– Tracking overall 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. In 2020, for example, 87% of suppliers were based in the Paris region, within 100 kilometres of the city centre.

SUPPLIER LOCATION



SFL contractors and suppliers play an extensive role in processes and initiatives to drive continuous improvement in both the management of buildings in-use and in redevelopment projects.

Example of a continuous improvement initiative in managing a building in-use

As key partners in fulfilling our environmental commitments in our properties, multi-technical maintenance contractors have fully embraced our CSR policies and 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.

Example of a continuous improvement initiative in a project

For new projects, clauses to encourage local hiring are included 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 these 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.

7. Additional information

7.1. Summary table of performance against objectives as of end-2020

The 18 targets for 2020 presented below were first defined in 2014, then slightly updated in 2017. In the end, 15 of them were met, attesting to the dedication and hard work of all of our teams.

However, three were not fully met by year-end.
– The first, concerning the percentage of in-use space accessible to wheelchair users, was 96% met. There is still one building that structurally is not fully accessible because there are stairways in various locations.
– The second objective, which set a target of planting and landscaping 11% of the portfolio's footprint, was not fully met either. The percentage of planted and landscaped space increased over the period, but not fast enough. There is still some room to improve in our redevelopment projects – particularly Biome, whose landscaped area will double by 2022 – but very little in the assets in-use in highly built-up urban neighbourhoods.
– Lastly, the health crisis prevented us from meeting the target of dedicating 2.5% of payroll to training in 2020, after exceeding the figure from 2015 to 2019. The majority of training sessions could be held online, but some had to be postponed.

In late 2020, a new set of targets, impelled by fresh momentum, was set for 2030. They may be found in section 2.3. above. Beginning in 2021, SFL will report on its performance against these targets every year.

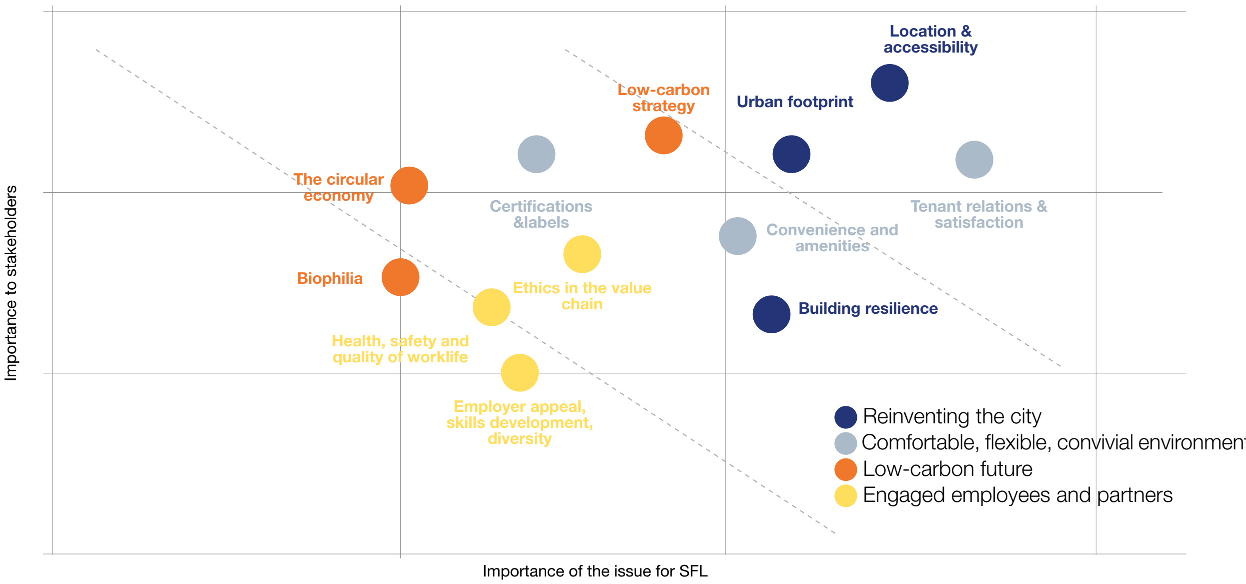
Issue		2020 target	2020 performance
Tenant relations and satisfaction	% of satisfied or very satisfied tenants	>80%	94%
	% of space under new green leases	100%	100%
Location and access	% of the portfolio located less than a ten-minute walk from a metro/tram station	100%	100%
	Disabled-accessible redevelopment projects	100%	100%
	% of portfolio surface area that is wheelchair-accessible	100%	96%
Certifications and labels	% of buildings certified BREEAM In-Use with a Very Good or higher level (excluding redevelopment projects)	>90%	100%
	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	>80%	93%
Sustainable Building Operation	Change in energy use intensity in kWh/sq.m. since 2011, like-for-like	-20%	-31%
	Change in water intensity in cu.m./sq.m. since 2011, like-for-like	-20%	-20%
Carbon efficiency	Number of fuel oil-fired boilers in the portfolio	0/20	0
	Change in carbon efficiency in kgCO_2e/sq.m. since 2011, like-for-like	-20%	-46%
	% of energy used from renewable sources	30%	35%
Sustainable capital expenditure and procurement	% of new redevelopments using BIM software	>90%	100%
	Set maximum energy use, carbon emissions and water use targets for new acquisition redevelopment projects, in line with corporate targets. 20% below RT2012 energy efficiency standards, Effinergie	100%	100%
Biophilia	% of green spaces on built-up land	11%	9%
Attracting talent and developing skills	% of payroll spent on training	>2.5%	2.4%
Health, safety and quality of worklife	% of employees surveyed every two years to measure the quality of worklife	100%	100%

7.2. Materiality of issues

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 and 2020, these issues and their materiality were updated by the ESG Committee and reviewed in light of the new regulatory framework concerning non-financial information statements.

MATERIALITY MATRIX OF CSR ISSUES

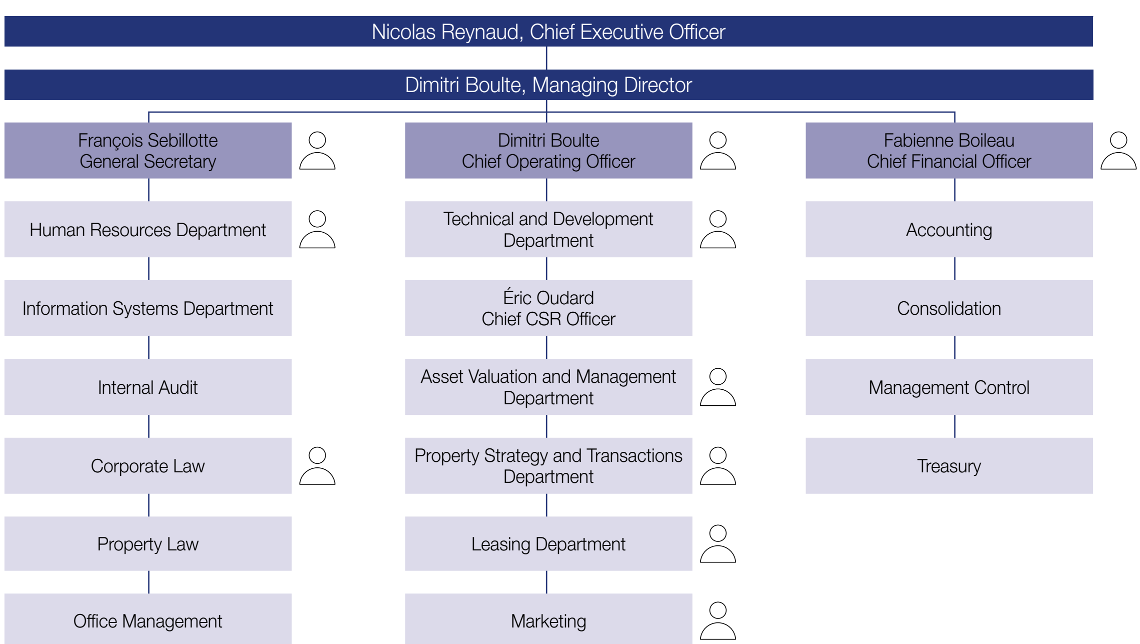


7.3. ESG governance

An ESG 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 ESG issues;
– The ESG 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 ESG 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, ESG 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

7.4. Initiatives supported by SFL

GRESB

The Global Real Estate Sustainability Benchmark (GRESB) is the leading source of assessment benchmarks for the environmental, social and governance performance of real estate companies.

SFL has participated in GRESB assessments since the organisation was founded nine years ago and has been awarded the Green Star designation every year.

EPRA

The European Public Real Estate Association (EPRA) is the voice of nearly 200 publicly traded real estate companies in Europe. It seeks to harmonise the financial and non-financial communications of its members, in line with its Best Practice Recommendations and Sustainability Best Practice Recommendations.

In 2020, SFL received two EPRA Golds Awards for optimal compliance with disclosure best practices.

OID

The *Observatoire de l'Immobilier Durable* (OID) is an independent forum where stakeholders in the French commercial real estate industry can discuss sustainable development and innovation issues. Created in 2012, it is committed to supporting the environmental and social performance of French property companies and to sharing all the practices that help move it forward.

It comprises around 60 members and partners, including leaders across the French commercial real estate value chain.

BBCA Association

Created in 2015, the Association for the Development of Low-Carbon Buildings (BBCA) brings together the leading players in the construction process, including property developers, investors, local authorities, urban planners, renowned architects, design offices and builders.

It is dedicated to deepening our knowledge of low-carbon buildings, promoting best practices with the BBCA label and encouraging low-carbon construction.

The first BBCA label was introduced in 2016, followed by the BBCA Rénovation label in 2018. SFL was awarded the BBCA Rénovation label for Biome, the first BBCA Rénovation project in Paris.

AMO

SFL is a member of AMO, an association that promotes effective, inspired cooperation between project owners and prime contractors, as well as between all the other stakeholders in the construction process.

Fondation Palladio: Building the City of Tomorrow

Fondation Palladio 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. For the seventh straight year, SFL was a sponsoring partner of Fondation Palladio.

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 which was organised for the 19th time in 2020 with the theme "Nature in the City". Once again, it offered 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.

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 from 16 to 22 November 2020. This annual event aims to raise awareness among companies and the public about the lack of work opportunities for people with disabilities.

7.5. Methodological note

7.5.1. Scope

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 2020, 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;
– 2 single-tenant assets whose in-use operations are not directly managed by SFL;
– 3 assets being redeveloped and/or vacant and not in use in 2020.

<table>
<tr><th>Asset</th><th>Energy/Carbon</th><th>Water</th><th>Waste</th><th>BREEAM In-Use</th></tr>
<tr><td>Washington Plaza</td><td>•</td><td>•</td><td>•</td><td>•</td></tr>
<tr><td>Édouard VII</td><td>•</td><td>•</td><td>•</td><td>•</td></tr>
<tr><td>Cézanne Saint-Honoré</td><td>•</td><td>•</td><td>•</td><td>•</td></tr>
<tr><td>103 Grenelle</td><td>•</td><td>•</td><td>•</td><td>•</td></tr>
<tr><td>112 Wagram</td><td>•</td><td>•</td><td>•</td><td>•</td></tr>
<tr><td>#cloud.paris</td><td>•</td><td>•</td><td>•</td><td>•</td></tr>
<tr><td>Rives de Seine</td><td>•</td><td>•</td><td>•</td><td>•</td></tr>
<tr><td>Louvre Saint-Honoré</td><td>•</td><td>•</td><td>•</td><td>•</td></tr>
<tr><td>176 Charles de Gaulle</td><td>•</td><td>•</td><td rowspan="7">Waste directly collected by the City of Paris, with no data on amounts or methods.</td><td>•</td></tr>
<tr><td>92 Champs-Élysées</td><td>•</td><td>•</td><td>•</td></tr>
<tr><td>Galerie des Champs-Élysées</td><td>•</td><td>•</td><td>•</td></tr>
<tr><td>90 Champs-Élysées</td><td>•</td><td>•</td><td>•</td></tr>
<tr><td>131 Wagram</td><td>•</td><td>•</td><td>•</td></tr>
<tr><td>9 Percier</td><td>•</td><td>•</td><td>•</td></tr>
<tr><td>6 Hanovre</td><td>•</td><td>•</td><td>•</td></tr>
<tr><td>106 Haussmann</td><td colspan="3" rowspan="2">Single-tenant buildings whose in-use energy, water and waste operations are not managed by SFL</td><td>•</td></tr>
<tr><td>Condorcet</td><td>•</td></tr>
<tr><td>Le Vaisseau</td><td colspan="4" rowspan="3">Buildings being redeveloped and/or vacant</td></tr>
<tr><td>83 Marceau</td></tr>
<tr><td>Biome</td></tr>
</table>

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 section 7.5.2.

7.5.2. 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 386,290 sq.m.

Each indicator's scope of reporting is described in section 7.5.1. of this report. 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 data to be collected 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 2018 to 2020.

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 by property managers and on-site submeter readings by facilities maintenance contractors,
– 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), taken from www.infoclimat.fr.

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 managed	Type of energy				
				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	Stand-alone cooling unit			
Washington Plaza	Offices	Multi-tenant	Yes	Not applicable	Stand-alone cooling unit			
Édouard VII	Offices	Multi-tenant	Yes	CPCU	Climespace			
Rives de Seine	Offices	Single tenant	Yes	Not applicable	Stand-alone cooling unit			Not applicable
Cézanne Saint-Honoré	Offices	Multi-tenant	Yes	CPCU	Climespace			
Louvre Saint-Honoré	Offices	Multi-tenant	Yes	CPCU	Stand-alone cooling unit + dry cooler			
103 Grenelle	Offices	Multi-tenant	Yes	CPCU	Stand-alone cooling unit			
112 Wagram	Offices	Multi-tenant	Yes	CPCU	Stand-alone VRF on each floor			
92 Champs-Élysées	Offices	Multi-tenant	Yes	CPCU	Climespace			
Galerie des Champs-Élysées	Retail	Multi-tenant	Yes	CPCU	Climespace		Not applicable	
#cloud.paris	Offices	Multi-tenant	Yes	CPCU	Climespace			Not applicable
131 Wagram	Offices	Multi-tenant	Yes	Not applicable	Stand-alone cooling unit			Not applicable
9 Percier	Offices	Multi-tenant	Yes	CPCU	Stand-alone cooling unit			Not applicable
90 Champs-Élysées	Offices	Multi-tenant	No	CPCU	Climespace			Not applicable
6 Hanovre	Offices	Single tenant	Yes	CPCU	Climespace			Not applicable
104/110 Haussmann	Offices	Single tenant	Yes	CPCU	Climespace			
Le Vaisseau	Offices	Single tenant	Yes	Not applicable	Stand-alone cooling unit			Not applicable
Marceau	Offices	Multi-tenant	Yes	CPCU	Not applicable			
Condorcet	Offices			CPCU	Climespace			
Biome	Offices	Single tenant	No	Natural gas				Not applicable

Current scope of reporting for 2020

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):

known/estimated

Indirectly managed portfolio/under redevelopment

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 2020, given the lack of accurate information, the 2019 emissions factors have been used.

7.3.3 Methodology for calculating employee relations indicators

Details of the method used to calculate the employee relations indicators are provided as needed following the description of the indicators in sections 6.1. and 6.2. above. Further details may also be found in the comments column in the EPRA indicators table in section 7.6.3.

7.6. EPRA indicators

7.6.1. Environmental indicators – Buildings in-use

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
	2018	2019	2020	2018	2019	2020	2018	2019	2020	%19/20	%18/20	
Absolute												
Electricity	27,885	27,119	26,326	20,471	21,070	15,762	48,355	48,189	42,088			Elec-Abs
District heating systems	13,743	11,433	8,870	0	0	0	13,743	11,433	8,870			DH&C-Abs
District cooling systems	11,317	10,410	8,183	0	0	0	11,317	10,410	8,183			
Natural gas	12	607	585	0	0	0	12	607	585			Fuels-Abs
Heating oil	665	0	0	0	0	0	665	0	0			
Total energy use in MWh	**53,621**	**49,569**	**43,964**	**20,471**	**21,070**	**15,762**	**74,092**	**70,639**	**59,725**			
Energy intensity in kWh/sq.m.							**267.5**	**250.9**	**218.3**	-13.0%	-18.4%	Energy-Int
Number of buildings							14/14	15/15	15/15			
% of sq.m.							100%	100%	100%			
Like-for-like												
Electricity	27,885	27,119	26,326	20,471	20,781	15,523	48,355	47,900	41,849	-12.6%	-13.5%	Elec.-LfL
District heating systems	13,743	11,433	8,870	0	0	0	13,743	11,433	8,870	-22.4%	-35.5%	District H&C - LfL
District cooling systems	11,317	10,410	8,183	0	0	0	11,317	10,410	8,183	-21.4%	-27.7%	
Natural gas	12	607	585	0	0	0	12	607	585	-3.6%	-13.6%	Fuels-LfL
Heating oil	665	0	0	0	0	0	665	0	0			
Total energy use in MWh	**53,621**	**49,569**	**43,964**	**20,471**	**20,781**	**15,523**	**74,092**	**70,350**	**59,487**			
Energy intensity in kWh/sq.m.							267.5	254.1	221.1	-13.0%	-17.4%	Energy-Int
Number of buildings								14/14				
% of sq.m.								100%				

SCOPE 1 AND SCOPE 2 GHG EMISSIONS FROM ENERGY USE, IN TCO_2E – ABSOLUTE AND LIKE-FOR-LIKE
(EPRA codes: GHG-Dir-Abs, GHG-Indir-Abs)

		2018	2019	2020	%19/20	%18/20	EPRA code
Absolute							
Scope 1		183	112	102	-8.8%	-44.4%	GHG-Dir-Abs
Market-based Scope 2		3,010	2,395	1,932	-19.4%	-35.8%	GHG-Indir-Abs
Location-based Scope 2		3,318	2,931	2,470	-15.7%	-25.6%	
Total market-based, in tCO_2e		3,193	2,507	2,033	-18.9%	-36.3%	
Total location-based, in tCO_2e		3,501	3,042	2,572	-15.5%	-26.6%	
Carbon intensity		12.6	10.8	9.4	-13.0%	-25.7%	GHG-Int
Coverage rate	Number of assets	14/14	15/15	15/15			
	% of sq.m.	100%	100%	100%			
Like-for-like							
Scope 1		183	112	102	-8.8%	-44.4%	
Market-based Scope 2		3,010	2,329	1,873	-19.6%	-37.8%	
Location-based Scope 2		3,318	2,864	2,411	-15.8%	-27.3%	
Total market-based, in tCO_2e		3,193	2,440	1,975	-19.1%	-38.1%	
Total location-based, in tCO_2e		3,501	2,976	2,513	-15.5%	-28.2%	
Coverage rate	Number of assets		14/14				
	% of sq.m.		100%				

WATER USE IN CU.M, WATER USE INTENSITY IN CU.M./SQ.M. AND LITRES/USER/DAY, ABSOLUTE AND LIKE-FOR-LIKE (EPRA codes: Water-Abs, Water-LfL, Water-Int)

		2018	2019	2020	%19/20	%18/20	EPRA code
Absolute							
Total municipal water use in cu.m		**157,391**	**157,351**	**132,905**	**-15.5%**	**-15.6%**	**Water-Abs**
Intensity	in cu.m/sq.m.	0.568	0.559	0.486	-13.1%	-14.4%	Water-Int
	in litres/user	33.5	33.2	28.8	-13.3%	-14.0%	
Coverage rate	Number of assets	14/14	15/15	15/15			
	% of surface area (sq.m.)	100%	100%	100%			
Like-for-like							
Total municipal water use in cu.m		**157,391**	**156,177**	**132,364**	**-15.2%**	**-15.9%**	**Water-LfL**
Intensity	in cu.m/sq.m.	0.568	0.564	0.492	-12.8%	-13.4%	Water-Int
	in litres/user	33.5	33.2	28.9	-13.0%	-13.7%	
Coverage rate	Number of assets			14/14			
	% of sq.m.			100%			

CERTIFICATIONS: NUMBER OF ASSETS IN USE AND PERCENTAGE OF PORTFOLIO (IN SQ.M.) CERTIFIED BY TYPE AND LEVEL OF CERTIFICATION (EPRA code: Cert-Tot)

			2019		2020	
			Number of assets	% of sq.m.	Number of assets	% of sq.m.
Buildings in use	BREEAM In-Use	**Total**	**18**	**100%**	**17**	**100%**
		Good	0	0%	0	0%
		≥Very Good	18	100%	17	100%
		≥Excellent	7	55%	6	54%
Properties being redeveloped	**At least one certification**		**5**	**22%**	**5**	**22%**
	BREEAM New Construction		2	12%	2	13%
	LEED		1	10%	1	10%
	HQE		4	19%	4	20%
Coverage rate	Number of assets		18/18		17/17	
	Coverage rate (in % of sq.m.)		100%		100%	

WASTE MANAGEMENT IN TONNES AND % BY TYPE OF WASTE AND DISPOSAL METHOD, ABSOLUTE AND LIKE-FOR-LIKE
(EPRA codes: Waste-Abs and Waste-LfL[1])

	2019				2020				
Waste by type	**NHIW**	**Paper, cardboard**	**Total**	**Recovered and reused waste**	**NHIW**	**Paper, cardboard**	**Total**	**Recovered and reused waste**	EPRA code
in tonnes	510	253	763	612	428	148	577	510	Waste-Abs and Waste-LfL
in %	67%	33%	100%	80%	74%	26%	100%	88%	

Details by type of disposal	**Landfilled**	**Incinerated**	**Burned as fuel**	**Recycled**	**Other**	**Landfilled**	**Incinerated**	**Burned as fuel**	**Recycled**	**Other**	
in tonnes	34	107	328	284	11	36	27	375	135	4	Waste-Abs and Waste-LfL
in %	4%	14%	43%	37%	1%	6%	5%	65%	23%	1%	

		2019	2020
Coverage rate	Number of assets	8/15	8/15
	% of sq.m.	83%	83%

(1) The absolute and like-for-like scopes of reporting are identical and therefore undifferentiated, since they apply to the same assets in 2019 and 2020.

SUMMARY TABLE OF EPRA INDICATORS FOR PROPERTIES IN-USE

Topic	Indicator	EPRA code	Unit	2018	2019	2020	Change 18/20	Coverage rate
Certifications								
	Number of assets BREEAM In-Use-certified assets	Cert-Tot	Number of assets	18	18	17	-5.6%	100%
	% of portfolio certified by value		% of portfolio certified by value	100%	100%	100%	0.0%	100%
Energy								
	Total use of electricity from renewable sources – absolute	Elec-Abs	MWh	10,025	9,484	9,206	-8.2%	100%
	Total use of electricity from non-renewable sources – absolute	Elec-Abs	MWh	17,860	17,636	17,120	-4.1%	100%
	Total use of electricity from renewable sources – like-for-like	Elec-LfL	MWh	10,025	9,484	9,206	-8.2%	100%
	Total use of electricity from non-renewable sources – like-for-like	Elec-LfL	MWh	17,860	17,636	17,120	-4.1%	200%
	Total energy use, district heating and cooling networks – absolute	DH&C-Abs	MWh	25,060	21,843	17,053	-32.0%	100%
	Total energy use, district heating and cooling networks – like-for-like	DH&C-LfL	MWh	25,060	21,843	17,053	-32.0%	100%
	Total fuel use	Fuels-Abs	MWh	677	607	585	-13.6%	100%
	Total fuel use – like-for-like	Fuels-LfL	MWh	677	607	585	-13.6%	100%
	Energy use intensity	Energy-Int	kWh/sq.m.	268	251	218	-18.4%	100%
	Energy use intensity – like-for-like		kWh/sq.m.	268	254	221	-17.4%	100%
Greenhouse gas emissions								
	Total direct greenhouse gas (GHG) emissions (Scope 1) – absolute	GHG-Dir-Abs	tCO_2e	183	112	102	-44.4%	100%
	Total indirect greenhouse gas emissions (location-based Scope 2) – absolute	GHG-Indir-Abs	tCO_2e	3,318	2,931	2,470	-25.6%	100%
	Total indirect greenhouse gas emissions (market-based Scope 2) – absolute	GHG-Indir-Abs	tCO_2e	3,010	2,395	1,932	-35.8%	100%
	Carbon intensity	GHG-Int	$kgCO_2e$/sq.m.	12.6	10.8	9.4	-25.7%	100%
Water								
	Total water use – absolute	Water-Abs	cu.m	157,391	157,351	132,905	-15.6%	100%
	Total water use – like-for-like	Water-LfL	cu.m	157,391	156,177	132,364	-15.9%	100%
	Water use intensity	Water-Int	cu.m/sq.m.	0.57	0.56	0.49	-14.4%	100%
	Water use intensity – like-for-like		cu.m/sq.m.	0.57	0.56	0.49	-13.4%	100%
Waste								
	Total waste produced, by disposal method – absolute	Waste-Abs	tonnes	804	763	577	-28%	83%
			% recycled	30%	37%	16%	-45%	
			% incinerated with energy recovery	10%	43%	72%	619%	
			% incinerated	23%	14%	5%	-79%	
			% disposed of by another method	27%	1%	0.7%	-98%	
			% landfilled	11%	4%	6%	-44%	
	Total waste produced, by disposal method – like-for-like	Waste-LfL	tonnes	804	763	577	-28%	83%
			% recycled	30%	37%	16%	-45%	
			% incinerated with energy recovery	10%	43%	72%	619%	
			% incinerated	23%	14%	5%	-79%	
			% disposed of by another method	27%	1%	0.7%	-98%	
			% landfilled	11%	4%	6%	-44%	

EPRA methodological note (in addition to the methodological information presented in section 7.5.)

- Scope of reporting: the data entered in the above table 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.
- 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.
- 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.
- Estimate: the data in the EPRA table is calculated based on actual invoiced use.
- Coverage rate: for each EPRA performance indicator, the coverage rate is calculated as a percentage of the total surface area.
- Verification: the reported data are verified by an independent third party with a moderate level of assurance.
- Head office: the information about offices occupied by SFL is reported in a separate table, as recommended by EPRA.
- Narrative on performance: period-on-period changes are reported for each indicator in parts 5.1. and 5.2.

7.6.2. Environmental indicators – Head office occupied by SFL

Topic	Indicator	EPRA code	Unit	2018	2019	2020
Certifications						
	% of head office certified	Cert-Tot	%	100%	100%	100%
Energy						
	Total use of electricity from renewable sources	Elec-Abs &	MWh	64.7	82.8	73.4
	Total use of electricity from non-renewable sources	Elec-LfL	MWh	156.8	152.5	136.4
	Total energy use, district heating and cooling networks	DH&C-Abs & DH&C-LfL	MWh	0	0	0
	Total fuel use	Fuels-Abs & Fuels-LfL	MWh	0	0	0
	Energy use intensity	Energy-Int	kWh/sq.m.	109.0	115.8	103.2
Greenhouse gas emissions						
	Total direct greenhouse gas (GHG) emissions (Scope 1)	GHG-Dir-Abs	tCO_2e	0	0	0
	Total indirect greenhouse gas (GHG) emissions (Scope 2)	GHG-Indir-Abs	tCO_2e	6.2	5.0	4.3
	Carbon intensity	GHG-Int	$kgCO_2e$/sq.m.	3.1	2.5	2.1
Water						
	Total water use	Water-Abs & Water-LfL	cu.m	441.2	401.1	334.3
	Water use intensity	Water-Int	cu.m/sq.m.	0.217	0.197	0.165
Waste						
	Total waste produced, by disposal method	Waste-Abs and Waste-LfL	tonnes	2.2	2.5	
			% recycled	100%	100%	63.5%
			% re-used	0%	0%	0%
			% composted	0%	0%	0%
			% incinerated	0%	0%	0%
			% disposed of by another method	0%	0%	0%
			% landfilled	0%	0%	36.5%

EPRA methodological note (in addition to the methodological information presented in section 7.5.)
– Coverage rate: 100% for all head-office indicators.
– The absolute and like-for-like scopes of reporting are identical and therefore undifferentiated, since they apply to the same head office over the 2018-2020 period.

7.6.3. Employee, societal and governance indicators

Topic	EPRA code	Indicator	Unit	2018	2019	2020	Comments
Diversity							
	Diversity-Emp	Percentage of men and women on the Board of Directors	Number of women	6	6	6	
			% of women	43%	43%	43%	exactly 42.86% at 31 December 2020
			Number of men	8	8	8	
			% of men	57%	57%	57%	exactly 57.14% at 31 December 2020
		Percentage of men and women on the Management Committee	Number of women	2	2	3	Number of Management Board members at 31 December, including the Chief Executive Officer
			% of women	25%	25%	33%	
			Number of men	6	6	6	
			% of men	75%	75%	67%	
		Percentage of men and women managers, excluding the Management Committee	Number of women	29	30	27	Number of employees at 31 December
			% of women	63%	58%	55%	
			Number of men	17	22	22	
			% of men	37%	42%	45%	
		Percentage of men and women among other employees	Number of women	13	13	13	Number of employees at 31 December
			% of women	87%	87%	87%	
			Number of men	2	2	2	
			% of men	13%	13%	13%	
		Percentage of men and women among all employees	Number of women	44	45	43	Total number of employees at 31 December, excluding the Chief Executive Officer
			% of women	65%	61%	60%	
			Number of men	24	29	29	
			% of men	35%	39%	40%	
	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%	13%	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)	%	16%	16%	18%	
		The ratio of the total compensation of men to women in other categories	%	-6%	-4%	-6%	
		The ratio of the total compensation of men to women in the entire workforce	%	35%	29%	29%	
Training							
	Emp-Training	Total number of training hours	Number	1,307	1,575	1,269	
		Number of employees trained	Number	56	66	58	
		Average number of hours per trainee	Number	23	24	22	
		% of employees trained	%	79%	94%	80%	*Number of employees trained/ average number of employees*
		% of payroll allocated to training	%	3.20%	3.31%	2.35%	
Assessment							
	Emp-Dev	% of employees who received performance reviews during the year	%	90%	90%	96%	*Number of reviews/number of eligible employees*

Topic	EPRA code	Indicator	Unit	2018	2019	2020	Comments
Attracting and retaining talent							
	Emp-Turnover	New employee hires under permanent contracts	Number	8	12	5	
		New employee hires under fixed-term contracts	Number	3	3	1	
		Total new hires	Number	11	15	6	
		Terminations by mutual agreement	Number	5	2	3	
		Expiries of fixed-term contracts	Number	5	1	3	
		Resignation	Number	2	3	1	
		Dismissal	Number	0	0	0	
		Total departures	Number	15	9	8	*Including one death*
		Turnover	%	12.81%	14.23%	6.24%	*(Number of departures of employees under permanent contracts, except for death + 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	1	0	2 commuting accidents without lost time
		Accident frequency rate	Rate	0.00	40.34	0	(No. of accidents with initial benefit payment reported per one million hours worked)
		Accident severity rate	Rate	0.00	0.29	0	*(No. of days lost due to temporary disability per 1,000 hours worked)*
		Short-term absenteeism rate	Rate	0.70%	0.67%	0.78%	One to three days
	H&S-Asset	Percentage of assets covered by health and safety risk management system	% of assets covered	93%	93%	93%	*Assets operationally managed by SFL*
	H&S-Comp	Number of health and safety-related incidents of non-compliance	Number of incidents	0	0	0	*No health and safety-related incidents of non-compliance were recorded in 2018, 2019 or 2020*
Community engagement							
	Comty-Eng	Community engagement initiatives	% of assets or description	–	–	–	*Given that SFL assets are concentrated exclusively in Paris and the inner suburbs, community engagement initiatives are undertaken directly at Group level, as described in section 7.4.*

GOVERNANCE INDICATORS				
Topic	EPRA code	Indicator		Explanation
Governance				
	Gov-Board	Composition of the Board of Directors	Description	*Cross-reference to other parts of the report*
	Gov-Select	Nomination and selection process for the Board of Directors	Description	*Cross-reference to other parts of the report*
	Gov-Col	Procedure for managing possible conflicts of interest	Description	*Cross-reference to other parts of the report*

The coverage rate was 100% for all of the reported social and governance indicators

7.7. Cross-reference with SDGs

This table summarises the contribution of SFL's ESG process to achieving the 17 Sustainable Development Goals for 2030 adopted by the United Nations in 2015.

SFL considers that its initiatives are having an impact on ten of these goals through the following issues:

Pillar	12 new issues	Contribution to the Sustainable Development Goals
Revitalise and reinvent the city	Urban footprint	
	Location & accessibility	
	Building resilience	
Offer comfortable, flexible, convivial environments	Convenience & amenities	
	Certifications & labels	
	Tenant relations & satisfaction	
Project ourselves into a low-carbon future	Low-carbon strategy	
	Circular economy	
	Biophilia	
Encourage engagement by our employees and partners	Employer appeal, development & diversity	
	Health, safety & quality of worklife	
	Ethics in the value chain	

Sustainable Development Goals:
3 Good health and well-being
5 Gender equality
7 Affordable and clean energy
9 Industy, innovation and infrastructure
10 Reduced inequalities
11 Sustainable cities and communities
12 Responsible consumption and production
13 Climate action
15 Life on land
16 Peace, justice and strong institutions

7.8. 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.

For the year ended 31 December 2020

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") disclosed in the non-financial information statement for the year ended 31 December 2020 (hereinafter the "Statement"), as presented in the Group Management Report.

The Information, selected by the Group, is as follows:
- Occupied 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 (*Code de Déontologie*) of our profession. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, French professional standards and applicable legal and regulatory requirements.

Responsibility of the Statutory Auditor

On the basis of our work, our responsibility is to provide a reasoned opinion expressing a limited assurance conclusion on the fairness of the selected information.

However, it is not our responsibility to comment on the Company's compliance with other applicable legal and regulatory provisions, in particular the prevention of corruption, and taxation, or on the compliance of products and services with applicable regulations.

Nature and scope of our work

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).

Our procedures allowed us to assess the consistency of the Statement with regulatory provisions and the fairness of the Information:
- We obtained an understanding of the Group's activities, the report on the main non-financial risks associated with this activity, and the related policies and their results.
- We assessed the appropriateness of the Guidelines with respect to their relevance, completeness, reliability, neutrality and understandability, with due consideration of industry best practices, where appropriate.
- We verified that the Information covers the scope of consolidation, i.e., all the companies included in the scope of consolidation in accordance with Article L. 233-16, within the limitations set out in the Statement.
- We assessed the data collection process set up by the Company to ensure the completeness and fairness of the Information.
- For the Information, we carried out:
  - analytical procedures to verify the proper consolidation of the data collected and the consistency of any changes in those data;
  - tests of details, using sampling techniques, in order to verify the proper application of the definitions and procedures and reconcile the data with the supporting documents. This work was carried out on a selection of contributing entities[1] and covered between 12% and 27% of the Information selected for these tests;
- We referred to documentary sources and conducted interviews to corroborate the Information.
- We assessed the overall consistency of the Statement based on our knowledge of the company.

(1) The Louvre Saint-Honoré and Washington Plaza buildings.

Our work was carried out by a team of four people in February 2021.

We were assisted in our work by our specialists in sustainable development and corporate social responsibility.

We believe that the work carried out, based on our professional judgement, is sufficient to provide a basis for a limited 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 affecting the conclusion expressed above, we draw your attention to the fact that the energy and water use indicators, greenhouse gas emissions indicators and waste production indicators cover the rolling 12-month period from 1 October to 30 September in order facilitate the collection of data at the end of the financial year. This reporting period is specified in the methodological note included in the Statement.

Paris-La Défense, 25 February 2021
French original signed by one of the Statutory Auditors

Deloitte & Associés

Laure Silvestre-Siaz	Julien Rivals
Partner	Partner, Sustainable Services

13. Appendices

Appendix 13.1 – Board of Directors' special report to the Annual General Meeting of 15 April 2021 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 2020. 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 2020 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) 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 2020 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 2020 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 15 April 2021 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 2020 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 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 6 February 2020, based on the recommendation issued by the Remuneration and Selection Committee following its meeting of the same date and by a unanimous vote, the Board drew up the list of Plan 5 performance share recipients for 2020 and decided that the performance share rights would be granted on 6 February 2020.

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 (second extraordinary resolution)

At the Annual 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.*, L.22-10-59 and L.22-10-60 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 6 February 2020

At its meeting on 6 February 2020, the Board of Directors decided to grant 68,952 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 2020

Of the total 68,952 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 2020	Maximum number: 20,000 Target number: 10,000 Value*: €653,830	Maximum number: 16,000 Target number: 8,000 Value*: €523,064	Maximum number: 6,000 Target number: 3,000 Value*: €196,149

* 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 main parameters: price of the underlying shares, expected dividend on the shares, dilution of equity, earnings objectives, income and payroll tax contributions, and lock-up discount. Based on the model assumptions, the fair value of the performance shares granted on 6 February 2020 is €65.383.

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 twelve[1] 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	163,458
Fabienne Boileau	2,400	1,200	78,460
Pierre-Yves Bonnaud	2,400	1,200	78,460
François Derrian	2,400	1,200	78,460
Emilie Germane	2,400	1,200	78,460
Aude Grant	2,400	1,200	78,460
Eric Oudard	2,400	1,200	78,460
Thierry Buhot	800	400	26,153
Virginie Krafft	800	400	26,153
Caroline Nguyen	800	400	26,153
Fabrice Ruchaud	800	400	26,153
Nicolas Tennevet	800	400	26,153

(1) The last five employees in the above table who all received the same number of performance share rights.

• Performance shares granted to employees in 2020

Category of grantees	Number of grantees	Maximum number of performance shares	Target number of performance shares	Value of performance shares
Management Committee member	7	19,400	9,700	634,215
Category 3 and 4 executives	13	5,704	2,852	186,472
Category 1 and 2 executives	33	1,848	924	60,414

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 6 February 2020 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 2022).

• 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.

Under the provisions of Article L.22-10-59 of the French Commercial Code, 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)

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

	2016	2017	2018	2019	2020
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
II. Profit for the year					
Net revenue	€87,735,720	€101,421,937	€107,699,004	€108,128,662	€101,508,459
Profit before tax, depreciation, amortisation and provisions	€32,971,796	€317,127,680	€67,271,823	€94,349,806	€87,047,654
Income tax expense/(benefit)	€15,528,992	(€48,294)	(€4,466)	(€45,000)	(€361,000)
Employee profit-sharing due for the year	€65,055	€2,327,288	(€77,124)	€151,493	€141,133
Depreciation, amortisation and provision expense	€47,656,270	€42,458,301	€45,108,362	€36,037,297	€44,275,441
Profit/(loss) after tax, depreciation, amortisation and provisions	(€30,278,521)	€272,390,385	€22,245,051	€58,206,015	€42,992,080
Ordinary dividend(1)	€48,855,423	€107,016,640	€123,301,781	€123,301,781	€97,710,845
Special distribution	€48,855,423	–	–	–	–
III. Earnings per share					
Earnings after tax, before depreciation, amortisation and provisions	€0.37	€6.82	€1.45	€2.03	€1.87
Earnings/(loss) after tax, depreciation, amortisation and provisions	(€0.65)	€5.85	€0.48	€1.25	€0.92
Net ordinary dividend per share	€1.05	€2.30	€2.65	€2.65	€2.10
Special dividend	€1.05	–	–	–	–
IV. Employee data					
Average number of employees	65	65	61	62	62
Total payroll	8,226,252	8,812,127	9,410,685	10,829,216	12,379,210
Total employer contributions	3,319,907	3,874,699	3,414,252	3,573,264	3,965,273

(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, paragraph 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 2020, 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 2020 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 2020. It was approved by the Board of Directors on 11 February 2021.

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 2020) (Article 22-10-10, 4° created by Government Order 2020-1142 dated 16 September 2020 – Article 6)

Issue	AFEP-MEDEF recommendation	SFL's situation at 31 Dec. 2020	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, Prédica, 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%).
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. 2020	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)	None of the independent directors hold a material number of shares. Some directors only own 25 shares and one director does not hold any shares	Apart from the three 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. The independent directors did not hold any SFL shares when they were elected to the Board. They purchased their shares after they had taken up their seats.
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 criteria. Nevertheless, if performance in relation to the quantifiable criteria 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 116 and 117 for details of the calculation method).
Annual self-assessment of the Board's practices/ formal three-yearly assessment	The Board should undertake a self-assessment of its practices once a year. A formal assessment should be performed at least once every three years (Art. 10.3)	A discussion of the Board of Directors' practices was not included on the agenda of any of the Board meetings held in 2020	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. A formal assessment of the Board's practices will be organised soon.

2. Executive management and the Management Committee as of 31 December 2020

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 3 April 2020 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 15 April 2021. 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 2020

The positions and directorships held as of 31 December 2020 by Nicolas Reynaud, Chief Executive Officer, and Dimitri Boulte, Managing Director, are presented below.

The positions and directorships held as of 31 December 2020 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 2020:
In France – SFL Group
– Chief Executive Officer: Société Foncière Lyonnaise (SA)
– Chairman and Chief Executive Officer: Segpim (SA)
– Chairman: Parholding (SAS) *(from 2 December 2020)*
– Legal Manager: Parhaus, Pargal, Parchamps

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)*
– Member: Parholding Shareholders' Committee, representing SFL *(until 28 December 2020)*
– Director representing SFL on the Management Board of SCI Washington *(until 28 December 2020)*

• Dimitri Boulte, Managing Director

Business address: 42 rue Washington, 75008 Paris (France)
Directorships and other positions held in 2020:
In France – SFL Group
– Chief Operating Officer: SFL
– Chairman: Locaparis (SAS) *(from 2 December 2020)*
– Director: Segpim (SA)

Other directorships and positions held in the past five years:
– Member: Parholding Shareholders' Committee, representing SFL *(until 28 December 2020)*
– Director representing SFL on the Management Board of SCI Washington *(until 28 December 2020)*

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 6 February 2020 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 2020

The members of the Management Committee as of 31 December 2020 were as follows:
- Nicolas Reynaud: Chief Executive Officer
- Dimitri Boulte: Managing Director, Chief Operating Officer
- François Sebillotte[(1)]: 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
- Émilie Germane[(2)]: Legal Director
- Aude Grant: Deputy Managing Director, Asset Management and Investment
- Éric Oudard: Technical and Development Director

(1) François Sebillotte retired on 31 December 2020.
(2) Émilie Germane was appointed General Secretary effective 1 January 2021 and Secretary to the Board of Directors effective 11 February 2021. She continues to serve as Legal Director.

Nicolas Reynaud (59), 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 (43), 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 (65), Chief Resources Officer, Secretary to the Board *(until 31 December 2020)*
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 (53), 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 (51), 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 (39), 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 (43), 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.

Éric Oudard (52), Technical and Development Director
Éric 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.

Émilie Germane (44), 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. She was appointed General Secretary effective 1 January 2021 and Secretary to the Board of Directors effective 11 February 2021.

Gender balance

SFL has had a stable representation of men and women on its Management Committee for several years. As of 31 December 2020, three of the nine Management Committee members were women (33%). Following François Sebillotte's retirement on 31 December 2020, the Management Committee now has eight members, three of whom are women (38%).

The women members of the Management Committee hold the positions of Chief Financial Officer, Deputy Managing Director, Asset Management & Investment and Legal Director & General Secretary.

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 2020

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

As of 31 December 2020, the Board of Directors had 14 members, unchanged from 31 December 2019.

At its meeting on 28 July 2020, the Board of Directors decided to appoint Najat Aasqui as a director to replace Chantal du Rivau who stepped down from the Board on 30 June 2020. The appointment will be submitted for ratification by the Annual General Meeting to be held on 15 April 2021.

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 Prédica:
  - Najat Aasqui
  - Jean-Jacques Duchamp

– 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

(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 on 12 November 2018 (see "Changes in interests disclosed to the Company in 2018" on page 32 of the Management Report).

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.

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 2020, three directors were aged 70 and over, six were aged between 56 and 69, and five were under the age of 55.

The qualifications and professional experience of each director are presented on pages 92 *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 2020 was in line with the requirements of Articles L.22-10-3 and L.225-18-1 of the French Commercial Code.

The woman director who resigned during 2020 was replaced by another woman, with the result that the Board still comprises six women.

The Company aims to maintain this situation in 2021. 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 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, as well as the provisions of the Company's Articles of Association. The factors considered include the requirement to have a certain proportion of independent directors 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 Annual General Meeting, or to propose the candidate for election at the next Annual General Meeting, as appropriate.

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

In accordance with 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 2020 – Situation as of 31 December 2020

	Re-elected	Elected/appointed	Resigned
Board of Directors	Alexandra Rocca 03/04/2020 Carmina Ganyet I Cirera 03/04/2020 Juan José Brugera Clavero 03/04/2020 Carlos Krohmer 03/04/2020 Luis Maluquer Trepat 03/04/2020 Anthony Wyand 03/04/2020	Najat Aasqui 28/07/2020 (appointed to replace Chantal du Rivau following her resignation)	Chantal du Rivau 30/06/2020
Audit Committee	–	–	–
Remuneration and Selection Committee	–	–	–
Committee of Independent Directors	–	–	–
Executive and Strategy Committee	–	–	–

3.4. Candidates proposed for re-election to the Board or whose appointment is subject to ratification at the Annual General Meeting of 15 April 2021

The terms of the following directors will expire at the Annual General Meeting called to approve the 2020 financial statements: Angels Arderiu Ibars, Nuria Oferil Coll, Juan José Brugera Clavero, Ali Bin Jassim Al Thani, and Anthony Wyand.

In addition, at its meeting on 28 July 2020, following the resignation of Chantal du Rivau, the Board appointed Najat Aasqui as a director – subject to shareholder ratification – for the remainder of her predecessor's term expiring at the close of the Annual General Meeting called to approve the financial statements for the year ending 31 December 2021.

Shareholders are invited to ratify Najat Aasqui's temporary appointment as a director by the Board of Directors on 28 July 2020, for a period expiring at the close of the Annual General Meeting called to approve the financial statements for the year ending 31 December 2021. Information about Najat Aasqui is provided on pages 92 and 94 of this report.

Shareholders are also asked to re-elect Angels Arderiu Ibars, Nuria Oferil Coll and Ali Bin Jassim Al Thani 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 2023.

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 General Meeting to be called to approve the financial statements for the year ending 31 December 2021.

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.

Najat Aasqui, Angels Arderiu Ibars, Nuria Oferil Coll, Juan José Brugera Clavero, Ali Bin Jassim Al Thani, and Anthony Wyand have all confirmed that they wish to stand for ratification or re-election and that they are not disqualified from serving as directors.

Resolutions ratifying Najat Aasqui's appointment and re-electing the above directors will be put to the vote at the Annual General Meeting to be held on 15 April 2021.

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 compensation in cash or in the form of shares or any compensation linked to the performance of the corporation 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 85, 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;
– Arielle Malard de Rothschild;
– Alexandra Rocca;
– Anthony Wyand.

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 company	√	√	√
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 significant 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 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 85 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 2020

Juan José Brugera Clavero, Chairman of SFL since 2010, 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).

Najat Aasqui holds a DESS post-graduate degree in Banking and Finance from Paris X University and a Master's degree in Economics from Lille I University. She joined Crédit Agricole Assurances in 2017 as an investment manager (Private Equity and Listed Equities). In March 2019, she was appointed Head of Listed Equities and Real Estate Investment Portfolios at Crédit Agricole Assurances. Before then, she held various commercial banking positions within the Crédit Agricole Group, notably in acquisition financing. She was appointed as a director of SFL by the Board of Directors on 28 July 2020.

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 of the Executive Committee of Housing Bank for Trade and Finance of Jordan (listed company and Jordan's second largest bank) from 1995 to 2016. He was a member of the Board of Directors and Vice Chairman of Dubai-based United Arab Shipping Company, (United Arab Emirates) from 2003 to 2016. Since 2007, he has been Vice Chairman of Libyan Qatari Bank (LQB). He is also Chairman and Chief Executive Officer of Qatar General Insurance & Reinsurance Co., a member of the Supervisory Board of Hapag-Lloyd AG and, since 2015, a director of Inmobiliaria Colonial, SOCIMI, SA (Spain).

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 Prédica in 2001. He has been deputy Chief Executive Officer of Crédit Agricole Assurances and member of the Executive Committee since 2004.

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 (1984-1986). In Spain, he served as Chairman of Iberdrola Ingenieria y Construcccion S.A. until 2019. A former professor at Madrid University, he has written several books on competition law and intellectual property law. He served on the Board of Directors of Inmobiliaria Colonial, SOCIMI, SA from 2002 to 2020. He currently sits on the Boards of 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 is an independent director of SFL. 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. Since 2006, she has been Managing Director of Rothschild & Cie and, since 2019, Global Advisory Partner of Rothschild & Co. She is also a member of the Supervisory Board, Risk Committee and Audit Committee of Rothschild & Co. (SCA).

Luis Maluquer Trepat has degrees in law (University of Barcelona) and international institutions (University of Geneva). 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 was Chairman of the Argentine Chamber of Commerce in Spain until 2019 and is currently a member of its Board of Directors. 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 a member of its Remuneration & Selection Committee, Audit Committee and Executive Committee, and Lead Independent Director. He also sits on the Boards of several Spanish companies.

Nuria Oferil Coll has a law degree from the University of Barcelona 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 and the committees of the Board.

Alexandra Rocca is an independent director of SFL. 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 holds a degree in business management from the Polytechnic University of Catalonia and an MBA from ESADE – Barcelona University. He worked at the Barcelona Stock Exchange from 1990 to 1997, first as Head of Research and then as Deputy Chief Executive Officer. He was Chief Executive Officer of Filo, a listed property company, from 1997 to 2001, and then Partner and Chief Executive Officer of the Riva y Garcia financial group until 2008. From 1994 until 2000, he also served as Chairman of the Barcelona-based Catalonian Financial Analysts Institute, Chairman of the Urban Land Institute in Spain and member of the Board of Directors of the Riva y Garcia financial group. He is currently a professor in the Finance Department of the ESADE business school. He sits on the Boards of Directors of Bluespace (Spain) and the European Public Real Estate Association (EPRA), and is Chief Executive Officer, Vice Chairman and member of the Executive Committee of Inmobiliaria Colonial SOCIMI SA.

Anthony Wyand is an honorary Chairman and independent director of SFL. He held various positions throughout his career, including Executive Director of Commercial Union Plc (1987-1998), Deputy Chief Executive Officer 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 2020

		Personal information				Experience
		Age	Gender	Nationality	Number of shares	Directorships of listed companies
Juan José Brugera Clavero (Chairman of the Board of Directors)		74	M	Spanish	24,775	2
Directors	Najat Aasqui	39	F	French	0	4
	Ali Bin Jassim Al Thani	61	M	Qatari	25	3
	Angels Arderiu Ibars	54	F	Spanish	25	1
	Jean-Jacques Duchamp	66	M	French	25	3
	Carlos Fernandez-Lerga Garralda	71	M	Spanish	50	1
	Carmina Ganyet i Cirera	52	F	Spanish	30	2
	Carlos Krohmer	49	M	German	30	1
	Arielle Malard de Rothschild	57	F	French	25	2
	Luis Maluquer Trepat	65	M	Spanish	400	2
	Nuria Oferil Coll	46	F	Spanish	25	1
	Alexandra Rocca	58	F	French	150	1
	Pere Viñolas Serra	58	M	Spanish	5,325	2
	Anthony Wyand	77	M	British	100	1

* C: Chair – 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 92)
- **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)*
  - Member of the Board of Directors of Periodico de Catalunya
- **Other directorships and positions held in the past five years**
  – Member of the Remuneration and Selection Committee (SFL)

Najat Aasqui

- **Main areas of expertise and experience**
  (see page 92)
- **Current directorships and positions**
  – Directorships and positions – SFL Group:
  - Director

  – Directorships and positions – Outside the SFL Group:

  In France:
  - Member of the Supervisory Board:
    - Covivio Hotels *(listed company)*
    - Altarea *(listed company)*
    - Argan *(listed company)*
  - Member of the Audit Committee and the Remuneration Committee: Argan *(listed company)*

  Outside France: none
- **Other directorships and positions held in the past five years**
  (none)

Position on the Board				Membership of Board Committees*			
Independent	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	2021 AGM	12.5 years	–	–	C	–
No	28 July 2020	2022 AGM	<1 year	–	–	–	–
No	13 Nov. 2015	2021 AGM	5.5 years	–	–	–	–
No	4 March 2014	2021 AGM	7.0 years	–	–	–	
No	25 Nov. 2004	2022 AGM	16.5 years	M	–	M	–
No	23 July 2008	2022 AGM	12.5 years	C	–	–	–
No	20 July 2009	2023 AGM	11.5 years	M	–	M	–
No	24 April 2014	2023 AGM	7.0 years	–	–	–	–
Yes	26 July 2018	2022 AGM	2.5 years	M	M	–	M
No	11 June 2010	2023 AGM	10.5 years	–	–	–	–
No	13 Nov. 2015	2021 AGM	5.5 years	–	–	–	–
Yes	15 Feb. 2019	2023 AGM	2 years	–	–	–	M
No	23 July 2008	2022 AGM	12.5 years	–	M	M	–
Yes	21 March 1995	2021 AGM	26.0 years	–	C	–	M

Sheikh Ali Bin Jassim Al Thani

- **Main areas of expertise and experience**
  (see page 92)
- **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:
  - Director of Inmobiliaria Colonial (SOCIMI, SA) – *listed company (Spain)*
  - Chairman of Qatar General Insurance & Reinsurance Co. *(Qatar)*
  - Vice Chairman of Libyan Qatari Bank (LQB)
  - Member of the Supervisory Board of Hapag-Lloyd AG – *listed company (Germany)*
- **Other directorships and positions held in the past five years**
  (none)

Angels Arderiu Ibars

- **Main areas of expertise and experience**
  (see page 92)
- **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 92)
- **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:
      - Spirica (SA)
      - UAF Life Patrimoine (SA)
    - Director:
      - Ramsay Générale de Santé (SA) – *listed company*
      - CPR - Asset Management (SA)
      - Pacifica (SA) until 21 August 2020
      - Life Side Patrimoine
      - Semmaris
      - Comexposium
    - Permanent representative of Prédica, Director of Gecina (SA) – *listed company*
    - Deputy Chief Executive Officer of Crédit Agricole Assurances (SA)

  Outside France:
    - Director of CA Vita (SA), *(Italy)*
- **Other directorships and positions held in the past five years**
    - Permanent representative of Prédica, director of Sanef

Carlos Fernandez-Lerga Garralda

- **Main areas of expertise and experience**
  (see page 92)
- **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:
    - Director and Chairman of EUR-Consultores S.L. *(Spain)*
    - Director of El Econômista/Ecoprensa (SA) *(Spain)*
    - 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)*, term expired in 2020
- **Other directorships and positions held in the past five years**
    - Director, Chairman of the Board of Directors, Chairman of the Audit Committee of Iberdrola Ingenieria y Construccion (SA) *(Spain)*

Carmina Ganyet i Cirera

- **Main areas of expertise and experience**
  (see page 92)
- **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 Chair of the Nominations Committee and the Remunerations Committee of Repsol – *listed company (Spain)*
- **Other directorships and positions held in the past five years**
    - 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 93)
- **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 93)
- **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, member of the Risk Committee and member of the Audit Committee of Rothschild & Co. (SCA) – *listed company*

  Outside France: none
- **Other directorships and positions held in the past five years**
  - Director of Groupe Lucien Barrière (SAS)
  - 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 93)
- **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, member of the Executive Committee and Lead Independent Director 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 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:
    - Cámara Argentina de Comercio en España *(Spain)*

Nuria Oferil Coll

- **Main areas of expertise and experience**
  (see page 93)
- **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 93)
- **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) – *listed company*
  - Chair of Arenco (SASU)

  Outside France: none
- **Other directorships and positions held in the past five years**
  - Member of the Supervisory Board of Etam Développement (SCA) – *listed company*
  - Director of the Franco-American Chamber of Commerce (AMCHAM *France)*

Pere Viñolas Serra

- **Main areas of expertise and experience**
  (see page 93)
- **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 of Bluespace *(Spain)*
- **Other directorships and positions held in the past five years**
  - Director of Electro-Stocks SL *(Spain)*

Anthony Wyand

- **Main areas of expertise and experience**
  (see page 93)
- **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	Najat Aasqui(2)	100%	n/a	n/a	n/a	n/a
	Ali bin Jassim Al Thani	89%	n/a	n/a	n/a	n/a
	Angels Arderiu Ibars	100%	n/a	n/a	n/a	n/a
	Jean-Jacques Duchamp	78%	100%	n/a	–	n/a
	Chantal du Rivau(3)	83%	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	89%	100%	100%	n/a	–
	Luis Maluquer Trepat	100%	n/a	n/a	n/a	n/a
	Alexandra Rocca	89%	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	100%	n/a	100%	n/a	–

n/a: not applicable
(1) No meetings held in 2020.
(2) Director from 28 July 2020.
(3) Director until 30 June 2020.

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.

Directors, their spouses (unless legally separated) and the permanent representatives of corporate directors are required to hold their shares in registered form or to deposit the shares in SFL or its subsidiaries held by them or by their children who are dependent minors. 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, each director 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 Annual 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 must 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 2020

Article 18 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 nine times in 2020, with an average attendance rate of 94%.

The issues covered during the meetings were as follows:

Agenda of the 6 February 2020 meeting

1. Approval of the minutes of the 15 November 2019 meeting
2. Approval of the 2019 financial statements – Portfolio valuation – NAV – Audit Committee report – Statutory Auditors' report
3. Dividend
4. Preparation of the Annual General Meeting of 3 April 2020
   - 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 15 February 2019 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. Alignment of the Articles of Association (Law 2019-486 dated 22 May 2019 – PACTE Law – and Law 2019-744 dated 19 July 2019)
7. Other business
   - 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)
   - Procedure for reviewing routine related party agreements (Article L.225-39 of the French Commercial Code)

Agenda of the 19 February 2020 meeting

1. Property acquisitions/sales: 8-12 rue Sainte Cécile (Paris 9)

Agenda of the 4 March 2020 meeting

1. Approval of the minutes of the 19 February 2020 meeting
2. Update on the proposed acquisition of 8-12 rue Sainte Cécile (Paris 9)

Agenda of the 27 March 2020 meeting

1. Authorisation to exceptionally hold the Annual General Meeting of 3 April 2020 (11 a.m.) behind closed doors

2. Delegation of competence to the Chief Executive Officer or the Managing Director to answer shareholders' written questions

Agenda of the 3 April 2020 meeting

1. Approval of the minutes of the 6 February 2020 meeting
2. Confirmation of the appointment of the Chairman of the Board of Directors – powers and remuneration
3. Update on latest news
4. Financing authorisation
5. Share buybacks: authorisation for the Chief Executive Officer to implement the programme
6. Other business
   • Forecasts and projections

Agenda of the 23 June 2020 meeting

1. Approval of the minutes of the meetings held on 4 March, 27 March and 3 April 2020
2. Update on latest news
3. First-half 2020 Business Review
4. Covid-19 crisis: framework measures and impacts
5. Financing – Authorisation to retire bond issues
6. Other business
   • Procedure for reviewing routine related party agreements (Article L.225-39 of the French Commercial Code)

Agenda of the 28 July 2020 meeting

1. Approval of the minutes of the 23 June 2020 meeting
2. Approval of the 2020 interim financial statements and first-half business review – Portfolio valuation – NAV – Audit Committee report – Statutory Auditors' review report
3. 2020-2024 Business Plan update
4. Other business
   • Membership of the Board of Directors (appointment of a new director to replace a director who had resigned)

Agenda of the 30 September 2020 meeting

1. Approval of the minutes of the 28 July 2020 meeting
2. Update on latest news
3. Proposed sale of two assets (112 Wagram and 9 Percier)

Agenda of the 13 November 2020 meeting

1. Approval of the minutes of the 30 September 2020 meeting
2. Update on latest news
   • Proposed sale of assets
   • Impacts of the Covid-19 crisis
3. 2021-2025 Business Plan/Consideration of real estate strategy
4. Financing authorisation
5. Other business
   • Forecasts and projections
   • Remuneration Committee report
   • Audit Committee report
   • Proposed 2021 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 directors' charter requires directors to disclose any conflicts of interest to the Board and to abstain from voting on related topics.
– No member of the Board of Directors has been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer in at least the past five years.
– In 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.

The Board of Directors may remove Committee members at any time, without giving a reason. Likewise, Committee members may step down at any time without giving a reason.

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 2020:
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 92, 93, 96 and 97 of this report.

In accordance with Article L.823-19 of the French Commercial Code, 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 Annual General Meeting and make recommendations to the Board of Directors concerning the re-appointment of incumbent Statutory Auditors in accordance with Article L.823-3-1 of the French Commercial Code.
– 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 2020, with an attendance rate of 100%.

The issues covered during the meetings were as follows:

Agenda of the 9 January 2020 meeting

1. Approval of the minutes of the 15 November 2019 meeting
2. 2019 internal audit engagements
   • Engagement 34: review of procedures for the launch and budget control of major redevelopment projects in SFL buildings
3. Update on the implementation of recommendations
4. 2020 internal audit plan
5. Presentation by Fabrice Ruchaud, Information Systems Director
6. Services provided by the Statutory Auditors – Renewal of delegations of authority to the Audit Committee (Government Order dated 17 March 2016)

Agenda of the 5 February 2020 meeting

1. Approval of the minutes of the 9 January 2020 meeting
2. Review of the 2019 financial statements
3. Other business
   • Management indicators – implementation of recommendations

Agenda of the 23 June 2020 meeting

1. Approval of the minutes of the 5 February 2020 meeting
2. Covid-19 crisis: framework measures and impacts
3. Changes in risk factors
4. 2020 internal audit engagements (progress review)
   • Engagement 35: Review of the procedure for the issue of rent receipts

Agenda of the 28 July 2020 meeting

1. Approval of the minutes of the 23 June 2020 meeting
2. Review of the 2020 interim financial statements
3. Other business
   • Management indicators at 30 June 2020 (risk monitoring)

Agenda of the 24 September 2020 meeting

1. Approval of the minutes of the 28 July 2020 meeting
2. 2020 internal audit engagements (progress review)
   • Engagement 35: Review of the procedure for the issue of rent receipts
   • Engagement 36: Review of marketing process procedures
3. Presentation of the Statutory Auditors' 2020 audit approach

Agenda of the 13 November 2020 meeting

1. Approval of the minutes of the 24 September 2020 meeting
2. Presentation by Virginie Krafft, Marketing Manager

3. 2020 internal audit engagements (progress review)
   - Engagement 37: Review of cash disbursement procedures
   - Cybersecurity review (performed by Sogeti, a subsidiary of Capgemini, after a competitive tendering process)
4. Areas to be covered by the 2021 internal audit programme

For more information about the Audit Committee's work in 2020, see the Management Report (pages 28 *et seq.*).

3.13.3. Remuneration and Selection Committee

Members of the Remuneration and Selection Committee as of 31 December 2020:
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 twice in 2020, with an attendance rate of 100%.

The issues covered during the meetings were as follows:

Agenda of the 6 February 2020 meeting

1. Approval of the minutes of the 15 November 2019 meeting
2. Payment of the 2019 bonuses of the Chairman, Chief Executive Officer, Managing Director
3. 2020 remuneration of the Chairman, Chief Executive Officer, Managing Director and members of the Board of Directors
4. Review of the weighting of non-financial qualitative criteria for 2020
5. 2020 performance share plan
6. Other business

Agenda of the 12 November 2020 meeting

1. 2021 remuneration formula for the Chairman, Chief Executive Officer, Managing Director and members of the Board of Directors
2. Change in CSR criteria

3.13.4. The Executive and Strategy Committee

Members of the Executive and Strategy Committee as of 31 December 2020:
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 2020.

3.13.5. Committee of Independent Directors

Members of the Committee of Independent Directors as of 31 December 2020:
– 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 2020.

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.22-10-8 of the French Commercial Code, created by Government Order 2020-1142 dated 16 September 2020 (Article 6), and Article R.22-10-14. 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 2021, 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.22-10-8 of the French Commercial Code, created by Government Order 2020-1142 dated 16 September 2020 (Article 6), 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 2022 to approve the 2021 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 105, 111 and 113), 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 (Louvre Saint-Honoré, Biome, Iéna).

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 81 to 83).

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 15 November 2019 based on the recommendation of the Remuneration and Selection Committee.

Under this formula, which is 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 105.

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 Annual 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 120).

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, the Managing Director 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 2021 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 81 to 83).

4.2.2. Remuneration policy applicable to the Chief Executive Officer

The remuneration policy applicable to the Chief Executive Officer for 2021 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 2020 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 2020 (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 81 and 83).

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 participates in the Group's discretionary profit-sharing scheme and is entitled to matching employer payments on his voluntary contributions to the SFL Group Pension Savings Plan (PERCO, converted into a PERECO effective from 1 October 2019).

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
– 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 104).

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 2020

5.1. Ratios disclosed in accordance with Article L.22-10-9, 6° and 7°, of the French Commercial Code (created by Government Order 2020-1142 dated 16 September 2020 – Article 6)

The following tables present the ratio between (i) the pay 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 pay of employees of the Société Foncière Lyonnaise economic and social unit (ESU)[1] (other than the persons in (i)) for each of the years presented. Nicolas Reynaud has served as Chief Executive Officer and Dimitri Boulte has served as Managing Director since 27 January 2015.

(1) The Société Foncière Lyonnaise ESU comprises the only two Group companies that have any staff – SFL and Locaparis.

Data concerning the SFL ESU presented 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				
	2020	2019	2018	2017	2016	2015
Chairman of the Board Juan José Brugera Clavero	**3.27**	3.13	2.78	3.03	2.74	2.99
Chief Executive Officer Nicolas Reynaud	**12.16**	11.01	9.59	11.04	10.18	8.77
Managing Director Dimitri Boulte	**9.30**	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				
	2020	2019	2018	2017	2016	2015
Chairman of the Board Juan José Brugera Clavero	**4.71**	4.22	3.48	4.00	3.70	3.69
Chief Executive Officer Nicolas Reynaud	**17.52**	14.83	12.02	14.55	13.75	10.84
Managing Director Dimitri Boulte	**13.40**	11.30	8.98	9.86	9.28	6.73

Chairman of the Board Juan José Brugera Clavero	2020	2019	2018	2017	2016
Annual remuneration	€413,149	€370,000	€355,914	€301,546	€274,159
Company performance					
• Rental income	€182,424k	€198,710k	€193,509k	€195,780k	€198,137k
• EPRA earnings	€100,794k	€119,236k	€106,651k	€102,419k	€100,881k
• Growth in EPRA earnings	-15.47%	11.7%	4.2%	1.5%	53.3%
• Growth in EPRA NNNAV	3.1%	11.1%	7.7%	21.0%	13.3%
Average remuneration	€126,502	€118,182	€128,138	€99,463	€100,077
Ratios	3.27	3.13	2.78	3.03	2.74

Chief Executive Officer Nicolas Reynaud	2020	2019	2018	2017	2016
Annual remuneration	€1,537,994	€1,300,738	€1,229,361	€1,097,904	€1,018,503
Company performance					
• Rental income	€182,424k	€198,710k	€193,509k	€195,780k	€198,137k
• EPRA earnings	€100,794k	€119,236k	€106,651k	€102,419k	€100,881k
• Growth in EPRA earnings	-15.47%	11.7%	4.2%	1.5%	53.3%
• Growth in EPRA NNNAV	3.1%	11.1%	7.7%	21.0%	13.3%
Average remuneration	€126,502	€118,182	€128,138	€99,463	€100,077
Ratios	12.16	11.01	9.59	11.04	10.18

Managing Director Dimitri Boulte	2020	2019	2018	2017	2016
Annual remuneration	€1,176,618	€990,678	€919,072	€743,926	€687,122
Company performance					
• Rental income	€182,424k	€198,710k	€193,509k	€195,780k	€198,137k
• EPRA earnings	€100,794k	€119,236k	€106,651k	€102,419k	€100,881k
• Growth in EPRA earnings	-15.47%	11.7%	4.2%	1.5%	53.3%
• Growth in EPRA NNNAV	3.1%	11.1%	7.7%	21.0%	13.3%
Average remuneration	€126,502	€118,182	€128,138	€99,463	€100,077
Ratios	9.30	8.38	7.17	7.48	6.87

Data concerning the Company only, in accordance with Article L.22-10-9 of the French Commercial Code

	Executive-to-average employee remuneration ratio	Change in ratios over the past five years				
	2020	2019	2018	2017	2016	2015
Chairman of the Board Juan José Brugera Clavero	3.14	3.07	2.71	2.90	2.64	2.97
Chief Executive Officer Nicolas Reynaud	11.70	10.81	9.35	10.55	9.80	8.73
Managing Director Dimitri Boulte	8.95	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				
	2020	2019	2018	2017	2016	2015
Chairman of the Board Juan José Brugera Clavero	**4.47**	4.16	3.38	3.86	3.52	3.60
Chief Executive Officer Nicolas Reynaud	**16.62**	14.63	11.68	14.06	13.10	10.57
Managing Director Dimitri Boulte	**12.72**	11.14	8.73	9.53	8.83	6.56

Chairman of the Board Juan José Brugera Clavero	**2020**	2019	2018	2017	2016
Annual remuneration	**€413,149**	€370,000	€355,914	€301,546	€274,159
Company performance					
• Rental income	**€182,424k**	€198,710k	€193,509k	€195,780k	€198,137k
• EPRA earnings	**€100,794k**	€119,236k	€106,651k	€102,419k	€100,881k
• Growth in EPRA earnings	**-15.47%**	11.7%	4.2%	1.5%	53.3%
• Growth in EPRA NNNAV	**3.1%**	11.1%	7.7%	21.0%	13.3%
Average remuneration	**€131,435**	€120,345	€131,446	€104,044	€103,958
Ratios	**3.14**	3.07	2.71	2.90	2.64

Chief Executive Officer Nicolas Reynaud	**2020**	2019	2018	2017	2016
Annual remuneration	**€1,537,994**	€1,300,738	€1,229,361	€1,097,904	€1,018,503
Company performance					
• Rental income	**€182,424k**	€198,710k	€193,509k	€195,780k	€198,137k
• EPRA earnings	**€100,794k**	€119,236k	€106,651k	€102,419k	€100,881k
• Growth in EPRA earnings	**-15.47%**	11.7%	4.2%	1.5%	53.3%
• Growth in EPRA NNNAV	**3.1%**	11.1%	7.7%	21.0%	13.3%
Average remuneration	**€131,435**	€120,345	€131,446	€104,044	€103,958
Ratios	**11.70**	10.81	9.35	10.55	9.80

Managing Director Dimitri Boulte	**2020**	2019	2018	2017	2016
Annual remuneration	**€1,176,618**	€990,678	€919,072	€743,926	€687,122
Company performance					
• Rental income	**€182,424k**	€198,710k	€193,509k	€195,780k	€198,137k
• EPRA earnings	**€100,794k**	€119,236k	€106,651k	€102,419k	€100,881k
• Growth in EPRA earnings	**-15.47%**	11.7%	4.2%	1.5%	53.3%
• Growth in EPRA NNNAV	**3.1%**	11.1%	7.7%	21.0%	13.3%
Average remuneration	**€131,435**	€120,345	€131,446	€104,044	€103,958
Ratios	**8.95**	8.23	6.99	7.15	6.61

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

This section presents the 2020 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 2020 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 3 April 2020 are subject to shareholder approval at the Annual General Meeting of 15 April 2021 (12th and 13th ordinary resolutions, respectively) in accordance with Article L.22-10-34 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 2020

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 €67,000, including fixed annual remuneration of €40,000 and variable remuneration of €27,000.

Performance shares

On 6 February 2020, 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 81 to 83).

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 2020:

Components of remuneration due or awarded for the year ended 31 December 2020	Amount or accounting value	Comments
Fixed remuneration	€150,000	The fixed remuneration for 2020 is unchanged from 2019.
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	€196,149	Juan José Brugera Clavero was granted 6,000 performance shares by the Board on 6 February 2020.
Remuneration as member of the Board of Directors	€67,000	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 2020 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 2020

Fixed remuneration

Nicolas Reynaud was paid gross annual remuneration of €407,000 for 2020.

Bonus

Nicolas Reynaud's 2020 bonus, calculated by the method decided by the Board of Directors on 6 February 2020, amounted to €364,503, as follows:
– A quantitative bonus of €201,504, based on growth in the Group's EPRA earnings and rental income. This bonus reflects an achievement rate of 99.26% compared to the objectives.
– A qualitative bonus of €203,500, based on performance in relation to personal objectives (not disclosed for business confidentiality reasons).

The EPRA earnings ratio was 84.5%. Consequently, the coefficient applied to the above two amounts for the determination of the qualitative and quantitative bonuses is 90%.

Payment of the bonus is subject to shareholder approval at the Annual General Meeting on 15 April 2021.

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 6 February 2020, 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 81 to 83).

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 2020:

Components of remuneration due or awarded for the year ended 31 December 2020	Amount or accounting value	Comments
Fixed remuneration	€407,000	Nicolas Reynaud's fixed remuneration was increased by €50,000 in 2020 compared with 2019.
Annual bonus	€364,503 (Payment of the bonus is subject to shareholder approval at the Annual General Meeting of 15 April 2021)	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	€653,830	Nicolas Reynaud was granted 20,000 performance shares by the Board on 6 February 2020.
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	€18,218	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	€34,051	Matching employer payments to the SFL Group Pension Savings Plan (PERECO), rights under the discretionary profit-sharing plan for 2019, paid in 2020 (profit shares for 2020 had not been determined as of the date this document was published).

Components of remuneration due or awarded for the year ended 31 December 2020 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 2020

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 €331,754 for 2020.

Bonus

Dimitri Boulte's 2020 bonus, calculated by the method decided by the Board of Directors on 6 February 2020, amounted to €237,151.

Performance shares

On 6 February 2020, 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 (pages 81 to 83).

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 2020:

Components of remuneration due or awarded for the year ended 31 December 2020	Amount or accounting value	Comments
Fixed remuneration	€331,754	Dimitri Boulte's salary was increased by €41,000 in 2020 compared with 2019.
Annual bonus	€237,151	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	€523,064	Dimitri Boulte was awarded 16,000 performance shares by the Board on 6 February 2020.
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	€6,619	Company car.
Other	€39,059	Matching employer payments to the SFL Group Pension Savings Plan (PERECO), rights under the discretionary profit-sharing plan for 2019, paid in 2020 (profit shares for 2020 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.

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**	2019	2020
Remuneration awarded for the year (see Table 2 for details)	€208,000	€217,000
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)	€162,000	€196,149
Other deferred remuneration	€0	€0
TOTAL	**€370,000**	**€413,149**

(1) 6,000 performance shares were awarded to Juan José Brugera Clavero at the Board Meeting of 15 February 2019 and a further 6,000 at the Board Meeting of 6 February 2020. The performance share grant and vesting conditions and values are presented in Appendix 13-2 of the Management Report (pages 81 to 83).

Nicolas Reynaud **Chief Executive Officer**	2019	2020
Remuneration awarded for the year (see Table 2 for details)	€824,490	€823,772
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)	€540,000	€653,830
Other deferred remuneration	€0	€0
TOTAL	**€1,364,490**	**€1,477,602**

(1) 20,000 performance shares were awarded to Nicolas Reynaud at the Board Meeting of 15 February 2019 and a further 20,000 at the Board Meeting of 6 February 2020. The performance share grant and vesting conditions and values are presented in Appendix 13.2 to the Management Report (pages 81 to 83).

Dimitri Boulte, **Managing Director and Chief Operating Officer**	2019	2020
Remuneration awarded for the year(1) (see Table 2 for details)	€611,923	€614,583
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)	€432,000	€523,064
Other deferred remuneration	€0	€0
TOTAL	**€1,043,923**	**€1,137,647**

(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 15 February 2019 and a further 16,000 at the Board Meeting of 6 February 2020. The performance share award and vesting conditions and values are presented in Appendix 13.2 to the Management Report (see pages 81 and 83).

The following tables provide summary information about the remuneration paid to Juan José Brugera Clavero, Nicolas Reynaud and Dimitri Boulte for 2017 and 2018:

Juan José Brugera Clavero **Chairman of the Board**	2017	2018
Remuneration due for the year	€211,000	€210,000
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	€90,546	€145,914
Other deferred remuneration	€0	€0
TOTAL	**€301,546**	**€355,914**

Nicolas Reynaud **Chief Executive Officer**	2017	2018
Remuneration due for the year	€746,316	€748,802
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	301,821	€486,380
Other deferred remuneration	€0	€0
TOTAL	**€1,048,137**	**€1,235,182**

Dimitri Boulte **Managing Director/Chief Operating Officer**	2017	2018
Remuneration due for the year	€486,284	€594,804
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	€241,457	€389,104
Other deferred remuneration	€0	€0
TOTAL	**€727,741**	**€938,908**

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**	2019		2020	
	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)	€58,000	€58,000	€67,000	€67,000
Benefits in kind	€0	€0	€0	€0
Other	€0	€0	€0	€0
Total	**€208,000**	**€208,000**	**€217,000**	**€217,000**

(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	2019		2020	
	Due	Paid	Due	Paid
Fixed remuneration[1]	€357,000	€357,000	€407,000	€407,000
Annual bonus[2]	€424,895	€424,895	€364,503	€364,503
Special bonus	€0	€0	€0	€0
Remuneration as member of the Board of Directors	€0	€0	€0	€0
Benefits in kind[3]	€17,829	€17,829	€18,218	€18,218
Other[4]	€24,766	€24,766	€34,051	€34,051
Total	**€824,490**	**€824,490**	**€823,772**	**€823,772**

(1) The salaries of Nicolas Reynaud and Dimitri Boulte are reviewed annually and may be increased depending on the Company's business and financial results for the previous year. At its meeting on 6 February 2020, the Board of Directors decided to increase Nicolas Reynaud's fixed remuneration to €407,000 for 2020. The increase was decided based on the recommendation of the Remuneration and Selection Committee of the same date, 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 15 February 2019 for the 2019 bonus and on 6 February 2020 for the 2020 bonus.

(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 2019 and 2020 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 2018 and 2019, paid in 2019 and 2020 respectively (profit shares payable in respect of 2020 had not been determined as of the date this document was published).

The performance criteria used to determine the 2019 bonuses of the Chief Executive Officer and the Managing Director were decided by the Board of Directors at its meeting on 15 February 2019, 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 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 was taken as the overall achievement rate used to determine the quantitative bonuses for 2019, applying the following correspondence table:

Overall target achievement rate	Quantitative bonus as a % of salary*	
	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

* 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%

For 2020, the performance targets for the bonuses of the Chief Executive Officer and the Managing Director were approved by the Board of Directors on 6 February 2020 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 2020 quantitative bonuses, the Board of Directors decided to set the following objectives for the two performance criteria for 2020:
– an EPRA earnings objective of €191 million;
– a rental income objective of €108.4 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 2020, applying the above correspondence table, which is unchanged from 2019.

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 and was unchanged from 2019:

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 2019 and 2020 were clearly defined in advance. They are not disclosed for business confidentiality reasons.

Dimitri Boulte, Managing Director and Chief Operating Officer	2019		2020	
	Due	Paid	Due	Paid
Fixed remuneration(1)	€290,754	€290,754	€331,754	€331,754
Annual bonus(2)	€276,122	€276,122	€237,151	€237,151
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	€6,619	€6,619
Other(4)	€38,388	€38,388	€39,059	€39,059
Total	**€611,923**	**€611,923**	**€614,583**	**€614,583**

(1) The salaries of Nicolas Reynaud and Dimitri Boulte are reviewed annually and may be increased depending on the Company's business and financial results for the previous year. At its meeting on 6 February 2020, the Board of Directors decided to increase Dimitri Boulte's salary to €331,000 for 2020. The increase was decided based on the recommendation of the Remuneration and Selection Committee of the same date, 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 15 February 2019 for the 2019 bonus and on 6 February 2020 for the 2020 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 2019 and 2020 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 2018 and 2019, paid in 2019 and 2020 respectively (profit shares payable in respect of 2020 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	2018	2019	2020
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 6 Feb. 2020	6,000	€196,149	6 Feb. 2023	06/02/2025	(5)
Nicolas Reynaud	Plan 5 6 Feb. 2020	20,000	€653,830	6 Feb. 2023	06/02/2025	(5)
Dimitri Boulte	Plan 5 6 Feb. 2020	16,000	€523,064	6 Feb. 2023	06/02/2025	(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 6 February 2020 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 to the Management Report (pages 81 to 83).

(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 main parameters: price of the underlying shares, expected dividend on the shares, dilution of equity, earnings objectives and lock-up discount. Based on the model assumptions, the fair value of the performance shares granted on 6 February 2020 is €65.383. This value is calculated based on the target number of shares, corresponding to 50% of the maximum performance share rights.

(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., 6 February 2023 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 Management Report (pages 81 to 83). 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 3 17 June 2015	4,500
Nicolas Reynaud	Plan 3 17 June 2015	11,250
Dimitri Boulte	Plan 3 17 June 2015	9,000

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: 2021 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 2020, 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 2020, 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, the Company complies with the recommendation in the AFEP-MEDEF Code (Article 21.1) that 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.

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 2019	Amounts paid in 2020
Najat Aasqui[(1)]		
Remuneration	€0	€0
Other remuneration	€0	€0
Ali Bin Jassim Al Thani		
Remuneration (fixed, variable)	€32,000	€44,000
Other remuneration	€0	€0
Angels Arderiu Ibars		
Remuneration (fixed, variable)	€35,000	€47,000
Other remuneration	€0	€0
Sylvia Desazars de Montgailhard[(2)]		
Remuneration (fixed, variable)	€1,105	€0
Other remuneration	€0	€0
Chantal du Rivau[(3)]		
Remuneration (fixed, variable)	€0	€0
Other remuneration	€0	€0
Jean-Jacques Duchamp		
Remuneration (fixed, variable)	€0	€0
Other remuneration	€0	€0
Carlos Fernandez-Lerga Garralda		
Remuneration (fixed, variable)	€70,000	€79,000
Other remuneration	€0	€0
Carmina Ganyet i Cirera		
Remuneration (fixed, variable)	€60,000	€69,000
Other remuneration	€0	€0
Carlos Krohmer		
Remuneration (fixed, variable)	€38,000	€47,000
Other remuneration	€0	€0
Arielle Malard de Rothschild		
Remuneration (fixed, variable)	€64,000	€70,000
Other remuneration	€0	€0
Luis Maluquer Trepat		
Remuneration (fixed, variable)	€38,000	€47,000
Other remuneration	€0	€0
Nuria Oferil Coll		
Remuneration (fixed, variable)	€38,000	€47,000
Other remuneration	€0	€0
Alexandra Rocca[(4)]		
Remuneration (fixed, variable)	€29,514	€44,000
Other remuneration	€0	€0
Pere Viñolas Serra		
Remuneration (fixed, variable)	€60,000	€61,000
Other remuneration	€0	€0
Anthony Wyand		
Remuneration (fixed, variable)	€67,000	€71,000
Other remuneration	€0	€0
Total	**€532,919**	**€626,000**

(1) Director since 28 July 2020.
(2) Independent director until 20 January 2019.
(3) Director until 30 June 2020.
(4) 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 2020 paid by SFL to the persons who were members of the Management Committee at 31 December 2020 other than the Chief Executive Officer and the Managing Director:

	2020
Salary	€1,020,380
Bonus[1]	€348,438
Benefits in kind	€24,522
Special bonuses	€0
Non-discretionary/discretionary profit-sharing[2]	€155,440
Matching payments to the Group Pension Savings Plan (PERECO)	€24,300

(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 6 February 2020.
(2) Rights under the non-discretionary and discretionary profit-sharing plans for 2019, paid in 2020 (profit shares in respect of 2020 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 2020, the Chief Operating Officer (who also holds the position of Managing Director) was 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 Annual General Meeting	9 May 2011				22 April 2015	13 November 2015		20 April 2018		
Date of Board meeting	16 Feb 2012	5 March 2013	4 March 2014	16 Feb 2012	17 June 2015	26 April 2016	3 March 2017	20 April 2018	15 Feb. 2019	6 Feb. 2020
Total performance share rights granted,	49,481	52,716	50,972	20,516	40,992	48,054	50,064	67,184	65,896	68,952
of which rights granted to:	34,331	37,462	37,462	20,516	24,750	31,500	31,500	42,000	42,000	42,000
• Juan José Brugera Clavero	3,750	3,750	3,750	–	4,500	4,500	4,500	6,000	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	20,000
• Dimitri Boulte	4,369	7,500	7,500	–	9,000	12,000	12,000	16,000	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 Feb. 2022	6 Feb. 2023
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 Feb. 2024	5 Feb. 2025
Performance criteria					(1)	(2)		(3)	(3)	(3)
Number of vested performance shares as of 31 December 2020	44,375	36,424	26,725	20,516	37,896	46,302	46,494	–	–	–
Cumulative number of performance share rights cancelled or forfeited	–	–	–	–	–	–	–	3,536	680	256
Number of performance share rights outstanding at 31 December 2020	–	–	–	–	–	–	–	63,648	65,216	68,696

(1) The performance criteria are described in "Plan 3 Rules" below.
(2) The performance criteria are described in "Plan 4 Rules" below.
(3) The performance criteria are described in "Plan 5 Rules" below.

As shown in the above table, the lock-up periods for performance shares granted under Plans 1 and 2 expired before 1 January 2020 and the information below therefore only concerns Plans 3, 4 and 5.

Plan 3 Rules

Vesting date

Provided that the recipient 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 award date.

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 recipient 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 award date.

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 6 February 2020 grant, the year ending 31 December 2022).

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 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 related party agreements

At its meeting on 23 June 2020, in accordance with Article L.22-10-12 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.

During the same meeting, 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 re-qualify 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.22-10-12 of the French Commercial Code created by Government Order 2020-1142 dated 16 September 2020 (Article 6).

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 said Code. The table also provides information on the use of these authorisations during 2020.

Date of AGM	Authorisation or delegation of competence	Used/unused in 2020	Duration of authorisation
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, with pre-emptive subscription rights for existing shareholders, duration of the delegation, maximum aggregate par value of resulting share issue(s), option to offer any shares or securities not taken up by existing shareholders for subscription by the public.	Unused	26 months
3 April 2020	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 *(Code monétaire et financier)*, duration of the delegation, maximum aggregate nominal amount of the resulting share issue(s), issue price.	Unused	14 months
3 April 2020	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 delegation, maximum aggregate nominal amount of the resulting share issue(s), issue price.	Unused	14 months
3 April 2020	Authorisation to be given to the Board of Directors to set the issue price, by the method decided by the shareholders at Annual 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.	Unused	14 months
3 April 2020	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	14 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, duration of the delegation.	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, duration of the delegation, maximum aggregate amount of the capital increase(s), procedure for dealing with rights to fractions of shares.	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, duration of the delegation, maximum aggregate amount of the capital increase(s), issue price.	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, duration of the delegation, purposes, terms and conditions, and ceiling.	Unused	26 months
3 April 2020	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.	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 6 February 2020 (see Appendix 13.2, pages 81 to 83).

9. Shareholder participation in Annual General Meetings (extracts from Articles 23, 24 and 28 of the Articles of Association)

(Article L.22-10-10, 5° of the French Commercial Code created by Government Order 2020-1142 dated 16 September 2020, Article 6)

Article 23

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 24

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 28

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.22-10-46 (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.22-10-11 of the French Commercial Code (created by Government Order 2020-1142 dated 16 September 2020):

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 125).

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 36).

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 122).

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 5.2.3 (page 113).

The Board of Directors

Appendix 13.5 – Agenda and proposed resolutions for the Annual General Meeting of 15 April 2021

Agenda

Ordinary Meeting

1. Approval of the Company financial statements for the year ended 31 December 2020.

2. Approval of the consolidated financial statements for the year ended 31 December 2020.

3. Appropriation of profit for the year ended 31 December 2020 and dividend.

4. Ratification of the appointment as a director of Najat Aasqui.

5. Re-election as a director of Angels Arderiu Ibars.

6. Re-election as a director of Nuria Oferil Coll.

7. Re-election as a director of Juan José Brugera Clavero.

8. Re-election as a director of Sheikh Ali Bin Jassim Al Thani.

9. Re-election as a director of Anthony Wyand.

10. 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.22-10-8 II of the French Commercial Code.

11. 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 2020, in accordance with Article L.22-10-34 I of the French Commercial Code.

12. 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 2020.

13. Approval of the components of the remuneration paid or awarded to Nicolas Reynaud, Chief Executive Officer, for the year ended 31 December 2020.

14. Authorisation to be given to the Board of Directors to carry out a share buyback programme governed by Article L.22-10-62 of the French Commercial Code, duration of the authorisation, purposes, terms and conditions, and ceiling.

15. Powers to carry out formalities.

Extraordinary Meeting

1. Delegation of competence to the Board of Directors to issue ordinary shares or securities with immediate or deferred rights to ordinary shares, with pre-emptive subscription rights for existing shareholders, duration of the delegation, maximum aggregate par value of resulting share issue(s), option to offer any shares or securities not taken up by existing shareholders for subscription by the public.

2. 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 delegation, maximum aggregate nominal amount of the resulting share issue(s), issue price.

3. 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 delegation, maximum aggregate nominal amount of the resulting share issue(s), issue price.

4. Authorisation to be given to the Board of Directors to set the issue price, by the method decided by the shareholders at Annual 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.

5. 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.

6. 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, duration of the delegation.

7. 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, duration of the delegation, maximum aggregate amount of the capital increase(s), procedure for dealing with rights to fractions of shares.

8. Blanket ceiling on financial authorisations.

9. Delegation of competence to the Board of Directors to increase the Company's capital by capitalising reserves, profits or share premiums, duration of the delegation, maximum aggregate amount of the capital increase(s), issue price.

10. 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.

11. Authorisation to be given to the Board of Directors to cancel shares held in treasury stock pursuant to Article L.22-10-62 of the French Commercial Code, duration of the authorisation, and ceiling.

12. 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 delegation, purposes, terms and conditions, and ceiling.

13. Ratification of the Board of Directors' decision of 11 February 2021 aligning the Company's Articles of Association with current laws and regulations.

14. 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.

15. Powers to carry out formalities.

Proposed resolutions

Ordinary resolutions

FIRST ORDINARY RESOLUTION (Approval of the Company financial statements for the year ended 31 December 2020)

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 2020 as presented, showing a net profit of €42,992,080.11, 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 2020)

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 2020 as presented, showing profit attributable to owners of the parent of €286,879 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 2020 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 2020, after tax and additions to provisions, amounts to €42,992,080.11.

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 2020	€42,992,080.11
Retained earnings brought forward from the prior year	€1,263,182.10
Profit available for distribution	€44,255,262.21

3. Approves the recommendation of the Board of Directors and resolves to pay shareholders a dividend per share of €2.10, representing a total payout of €97,710,845.40 based on the 46,528,974 shares outstanding at 31 December 2020.

4. Approves the recommendation of the Board of Directors and resolves to deduct the total dividend from profit for the year for €42,992,080.11, from retained earnings for €1,263,182.10, after which retained earnings will amount to €0, and from the share premium account for €53,455,583.19.

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 27 April 2021.
The dividend will be paid in cash as from 29 April 2021.

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 €97,710,845.40 (€2.10 per share) will qualify as securities revenue (*revenu de capitaux mobiliers*) as defined in Article 158.3, 1° of the French Tax Code (*Code Général des Impôts*) for €44,255,262.21 (approximately €0.9511 per share) and as a return of capital (*remboursement d'apport*) for €53,455,583.19 (approximately €1.1489 per share) based on 46,528,974 shares.

The fraction of the dividend qualified as securities revenue (approximately €0.9511 per share) breaks down as follows:

– €2,709,638.90 (approximately €0.0582 per share) 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.

– €41,545,623.31 (approximately €0.8929 per share) 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 General Tax Code, even if they have made a general election to pay tax at the graduated rate (Article 158.3, 3° b *bis* of said 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 said 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)
2017	€2.30	–	€2.30	–	€107,016,640.20
2018	€2.65	–	€2.65	–	€123,301,781.10
2019	€2.65	€0.28	€2.37	–	€123,301,781.10

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

FOURTH ORDINARY RESOLUTION (Ratification of the appointment as a director of Najat Aasqui)

The Annual General Meeting ratifies the appointment – subject to shareholder ratification – by the Board of Directors, at its meeting on 28 July 2020, of Najat Aasqui as a director to replace Chantal du Rivau, who had resigned. Said appointment was made for the remainder of Chantal du Rivau's term expiring at the Annual General Meeting to be held to approve the financial statements for the year ending 31 December 2021.

FIFTH ORDINARY RESOLUTION (Re-election as a director of Angels Arderiu Ibars)

The Annual General Meeting, having noted that Angels Arderiu Ibars' 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 2023.

SIXTH ORDINARY RESOLUTION (Re-election as a director of Nuria Oferil Coll)

The Annual General Meeting, having noted that Nuria Oferil Coll'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 2023.

SEVENTH 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 2021.

EIGHTH ORDINARY RESOLUTION (Re-election as a director of Sheikh Ali Bin Jassim Al Thani)

The Annual General Meeting, having noted that Sheikh Ali Bin Jassim Al Thani'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 2023.

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 2021.

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.22-10-8 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.22-10-8 II and R.22-10-14 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 2020.

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 2020, in accordance with Article L.22-10-34 I of the French Commercial Code)

The Annual General Meeting, having considered the Board of Directors' Corporate Governance Report, resolves, in accordance with Article L.22-10-34 I 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 2020, as described in section 5 of the Corporate Governance Report presented by the Board of Directors for the year ended 31 December 2020.

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 2020)

The Annual General Meeting, having considered the Board of Directors' Corporate Governance Report, resolves, in accordance with Article L.22-10-34 II 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 2020 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 2020.

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 2020)

The Annual General Meeting, having considered the Board of Directors' Corporate Governance Report, resolves, in accordance with Article L.22-10-34 II 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 2020 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 2020.

FOURTEENTH ORDINARY RESOLUTION (Authorisation to be given to the Board of Directors to carry out a share buyback programme governed by Article L.22-10-62 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 fourteenth ordinary resolution of the Annual General Meeting of 3 April 2020 to buy back the Company's shares.

2. To authorise the Board of Directors, in accordance with Articles L.22-10-62 *et seq.* and L.225-210 *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 2020, 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 corporate 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.*, L.22-10-56 *et seq.*, L. 225-197-1 *et seq.*, L. 22-10-59 and L. 22-10-60 *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.22-10-62 of the French Commercial Code, subject to adoption of the eleventh 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.22-10-62 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 (Delegation of competence to the Board of Directors to issue ordinary shares or securities with immediate or deferred rights to ordinary shares, with pre-emptive subscription rights for existing shareholders, duration of the delegation, maximum aggregate par value of resulting share issue(s), option to offer any shares or securities not taken up by existing shareholders for subscription by the public)

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*. and L.22-10-49 *et seq.* of the French Commercial Code, particularly Articles L.225-129-2, L.225-135 and L.22-10-51, and Articles L.228-91 *et seq*. of said Code:

1. To cancel, with immediate effect, the unused portion of the delegation given in the first extraordinary resolution of the Annual General Meeting of 5 April 2019.

2. To grant the Board of Directors a 26-month delegation of competence, from the date of this Meeting, to decide the issue of ordinary shares and/or securities with immediate or deferred rights to ordinary shares, with 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 or deferred rights to preference shares.

3. That the aggregate par value 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 par value 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 value 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 does not include any redemption premiums that may be payable on the securities. This non-cumulative ceiling shall apply to all debt securities that may be issued under this resolution and the second, third, sixth and seventh extraordinary resolutions tabled at this Meeting, but 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.

   The life of debt securities with rights to ordinary shares of the Company shall not exceed 50 years, although this delegation of confidence may also be used to issue undated debt securities. It may be used to issue fixed and/or floating rate or zero coupon debt securities. The securities may be redeemable in advance at par or at a premium, or repayable in instalments. In addition, they may be bought back on the market or through a cash or exchange offer made by the Company.

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 have a pre-emptive right to subscribe for the ordinary shares or securities with rights to ordinary shares issued under this resolution, pro rata to their existing shareholdings. The terms and conditions under which this pre-emptive right may be exercised will be set by the Board of Directors in accordance with the applicable laws. The Board of Directors may also give shareholders a pre-emptive 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.

   If the entire issue is not taken up by shareholders exercising their pre-emptive subscription rights as provided for above, 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: (i) 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 (ii) freely allocate all or some of the unsubscribed shares or securities, and/or (iii) offer all or some of the unsubscribed shares or securities for subscription by the public, through a public placement in France and/or abroad and/or on the international market.

7. 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.

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 delegation, 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.* and Articles L.22-10-49 *et seq.* of the French Commercial Code, particularly Articles L.225-129-2, L.225-135 and L.22-10-52, 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 Annual General Meeting of 3 April 2020.

2. To grant the Board of Directors a 26-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 value 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 does not include any redemption premiums that may be payable on the securities. This non-cumulative ceiling shall apply to all debt securities that may be issued under this resolution and the first, third, sixth and seventh extraordinary resolutions tabled at this Meeting, but 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 – 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 are fungible 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 delegation, 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.* and L.22-10-49 *et seq.* of the French Commercial Code, particularly Articles L.225-129-2, L.225-135 and L.22-10-52, and Articles L.228-91 *et seq.* of said Code, as well as Article L.411-2, 1° 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 Annual General Meeting of 3 April 2020.

2. To grant the Board of Directors a 26-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 value 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 does not include any redemption premiums that may be payable on the securities. This non-cumulative ceiling shall apply to all debt securities that may be issued under this resolution and the first, second, sixth and seventh extraordinary resolutions tabled at this Meeting, but 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 Annual 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.22-10-52 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 Annual General Meeting of 3 April 2020.

2. To grant the Board of Directors a 26-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 Annual General Meeting of 3 April 2020.

2. To grant the Board of Directors a 26-month authorisation, from the date of this Meeting, to decide, for any issue carried out pursuant to the first, 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 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 (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, duration of the authorisation)

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.22-10-54 and L.228-92 of the French Commercial Code:

1. To cancel, with immediate effect, the unused portion of the authorisation given in the sixth extraordinary resolution of the Annual General Meeting of 5 April 2019.

2. To grant the Board of Directors a 26-month delegation of competence, from the date of this Meeting, to decide to use the second extraordinary resolution to issue – without pre-emptive subscription rights for existing shareholders – ordinary shares or securities with immediate and/or deferred rights to ordinary shares in payment for shares tendered to a public exchange offer or an alternative cash or exchange offer for the shares of another company traded on one of the regulated markets referred to in the above Article L.22-10-54 made by SFL in France or in another country under local rules.

   The aggregate par value 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 and shall be deducted from the ceiling set in the second and third extraordinary resolutions of this Meeting. This ceiling does not include the par value 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.

3. 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 value 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 does not include any redemption premiums that may be payable on the securities. This non-cumulative ceiling shall apply to all debt securities that may be issued under this resolution and the first, second, third and seventh extraordinary resolutions tabled at this Meeting, but 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.

4. 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.

5. That the Board of Directors shall have full powers to carry out public exchange offers under this delegation and to:

- Set the exchange ratio and any cash payment to be made if application of the exchange ratio results in rights to fractions of shares.
- Set the terms and conditions of issue and the characteristics of securities issued under this delegation.
- Place on record the number of securities tendered to the offer.
- Determine the date and terms of issue, including the price and cum dividend date, of the new ordinary shares or, if applicable, the securities with immediate and/or deferred rights to ordinary shares.
- Take any and all necessary measures to protect the rights of holders of rights or of securities with rights to ordinary shares in accordance with the applicable laws and regulations.

– Record in a “share premium” account in equity, to which all shareholders shall have rights, the difference between the issue price of the new shares and their par value.
– Charge against said premium all costs and fees incurred in connection with the offer.
– 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.
– Generally, take any and all appropriate measures and enter into any and all agreements to complete the authorised transaction, place on record the resulting capital increase(s) and amend the Articles of Association to reflect the new capital.

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.

SEVENTH EXTRAORDINARY RESOLUTION (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, duration of the delegation, maximum aggregate amount of the capital increase(s), procedure for dealing with rights to fractions of shares)

The Extraordinary General Meeting, having considered the Board of Directors’ report and the Statutory Auditors’ special report, resolves, in accordance with Articles L.225-147 and L.22-10-53 of the French Commercial Code:

1. To cancel, with immediate effect, the unused portion of the authorisation given in the seventh extraordinary resolution of the Annual General Meeting of 5 April 2019.

2. To grant to the Board of Directors a 26-month delegation of powers, from the date of this Meeting, to use the second extraordinary resolution to issue ordinary shares or securities with immediate and/or deferred rights to ordinary shares, based on the report of the expert appraiser(s) of capital contributions referred to in the first and second paragraphs of the above-mentioned Article L.225-147, in payment for shares or securities with rights to shares of another company that are contributed to the Company under a transaction not governed by Article L.22-10-54 of the French Commercial Code. To this end, the Extraordinary General Meeting resolves to waive, in favour of the contributing parties, the pre-emptive right of existing shareholders to subscribe for these ordinary shares or securities with rights to ordinary shares.

   The aggregate par value of ordinary shares issued under this delegation, either directly or at a future date on exercise of the rights attached to securities with rights to ordinary shares, shall not exceed 10% of the Company’s issued capital at the issue 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.

3. 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 value 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 does not include any redemption premiums that may be payable on the securities. This non-cumulative ceiling shall apply to all debt securities that may be issued under this resolution and the first, second, third and sixth extraordinary resolutions tabled at this Meeting, but 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.

4. 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.

5. That the Board of Directors shall have full powers to use this delegation of powers and to:

– Approve the value attributed to the contributed shares or securities and to the benefits granted, based on the valuation report issued by the expert appraiser(s) of capital contributions referred to in the first and second paragraphs of the above-mentioned Article L.225-147.
– Determine the date and terms of issue, including the price and cum dividend date, of the new ordinary shares and/or, if applicable, the securities with immediate and/or deferred rights to ordinary shares.
– 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 any and all necessary measures to protect the rights of holders of rights or of 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.
– 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.
– Place on record the capital increases carried out under this delegation, amend the Articles of Association to reflect the new capital, carry out any and all filing and other formalities and obtain any and all authorisations that are necessary to carry out the contributions.

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.

EIGHTH 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, second, third, fourth, fifth, sixth and seventh 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.

NINTH EXTRAORDINARY RESOLUTION (Delegation of competence to the Board of Directors to increase the Company's capital by capitalising reserves, profits or share premiums, duration of the delegation, maximum aggregate amount of the capital increase(s), issue price)

The Extraordinary General Meeting, after considering the Board of Directors' report, resolves, in accordance with Articles L.225-129-2, L.225-130 and L.22-10-50 of the French Commercial Code and under the quorum and majority voting rules applicable to Ordinary General Meetings:

1. To cancel, with immediate effect, the unused portion of the delegation of competence given in the ninth extraordinary resolution of the Annual 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 increase the capital on one or several occasions, in periods and under the terms and conditions of its choice, to be paid up by capitalising reserves, profits, share premiums or any other capitalisable amounts and issuing bonus shares or raising the par value of existing shares or both.

3. To give full powers to the Board of Directors to decide that rights to fractions of shares shall be non-transferable and that the corresponding shares will be sold, with the proceeds from the sale allocated among the holders of rights to fractions of shares within the period specified in the applicable regulations.

4. That the aggregate amount by which the capital may be increased under this delegation shall not exceed €25,000,000. This ceiling does not include the par value of any ordinary shares to be issued to protect the rights of holders of securities with rights to ordinary shares. In addition, it is independent and separate from the ceilings on issues of ordinary shares – directly or at a future date on exercise of rights attached to securities with rights to ordinary shares – carried out under the first, second, third, fourth, fifth, sixth and seventh extraordinary resolutions.

5. That the Board of Directors shall have full powers to use this delegation of competence and to:

– Set the amounts to be capitalised and decide on the accounts from which the funds will be transferred.
– Set the number of ordinary shares to be issued and/or the amount by which the par value of existing shares will be increased.
– Decide the future or retroactive date from which the new shares will carry rights or the increase in par value will be effective.
– Decide that any rights to fractions of shares shall be non-transferable and that the corresponding shares will be sold, with the proceeds from the sale allocated among the holders of rights to fractions of shares within the period specified in the applicable regulations.
– Take any and all necessary measures to protect the rights of holders of rights or of 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 one or several reserve accounts and deduct from said account(s) the amount necessary to increase the legal reserve to one-tenth of the new capital after each issue.
– If applicable, have the new shares admitted to trading on a regulated market.
– Place on record the capital increases carried out under this delegation, amend the Articles of Association to reflect the new capital, carry out any and all filing and other formalities and obtain any and all authorisations that are necessary to complete the capital increase.

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.

TENTH EXTRAORDINARY RESOLUTION (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)

The Extraordinary General Meeting, having considered the Board of Directors' report and the Statutory Auditors' special report, resolves:

– To cancel, with immediate effect, the unused portion of the authorisation given in the second extraordinary resolution of the Annual General Meeting of 20 April 2018.
– To authorise the Board of Directors, or any person to whom this authority may be delegated pursuant to the law, to make one or more awards of existing or newly-issued ordinary shares of the Company in accordance with Articles L.225-197-1 *et seq.*, L.22-10-59 and L.22-10-60 of the French Commercial Code, on the basis specified below.

The awards may be made to employees or corporate officers (within the meaning of Article L.225-197-1 II paragraph 1 of the French Commercial Code) of the Company or of related companies or entities within the meaning of Article L.225-197-2 of the French Commercial Code, or to certain categories of employees or corporate officers.

This authorisation is given for a period of 38 months from the date of this Meeting.

The total number of ordinary shares granted under this resolution shall not represent more than 1% of the Company's share capital as of the date of this Meeting and, within this limit, the number of shares granted to corporate officers (*mandataires sociaux*) shall not represent more than 0.5% 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.

The Board of Directors shall set the vesting period applicable to each grant, which shall not be less than the statutory minimum period of one year as from the grant date.

The Board of Directors shall also set the lock-up period applicable to each award, provided that the total period represented by the vesting period and the lock-up period shall not be less than two years.

As an exception to the above stipulation, the Extraordinary General Meeting resolves that the shares shall vest before the end of the vesting period if the recipient is classified as suffering from a category 2 or category 3 disability as defined in Article L.341-4 of the French Social Security Code (*Code de la Sécurité Sociale*). In the event of death of a recipient, his or her heirs may apply for the shares to be allocated to them within six months of the date of death. Any shares that vest immediately in the event of a recipient's disability or that are transferred to a deceased recipient's heirs shall become freely transferable with immediate effect.

The shares granted under this resolution may be existing shares, in which case they shall be bought back under the buyback programme authorised in the fourteenth ordinary resolution of this Meeting pursuant to Article L.22-10-62 of the French Commercial Code or any buyback programme applicable before or after this resolution is adopted.

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 ordinary shares to be issued in respect of the awards. The Extraordinary General Meeting further notes and resolves that, if the awards are fulfilled by issuing new shares, this authorisation shall result in a capital increase at the end of the vesting period, to be paid up by capitalising retained earnings, profits or the share premium, and that shareholders shall automatically waive their right to the capitalised portion of retained earnings, profits or the share premium.

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 terms of the performance share plans and the allocation criteria, if any.
– Decide the dates of the share grants, on the basis and subject to the restrictions prescribed by law.
– Draw up the list of grantees, the number of performance share rights to be awarded to each grantee, and the related terms and conditions.
– Determine, within the limits set in this resolution, the vesting period and the lock-up period, if any.
– Decide on the situations in which the number of shares granted will be adjusted following any corporate actions, in order to protect the rights of recipients.
– Generally, enter into any and all agreements, draw up any and all documents, place on record the capital increases resulting from the share grants, 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.

The Board of Directors shall report to shareholders at each Annual General Meeting on the transactions carried out under this resolution.

ELEVENTH EXTRAORDINARY RESOLUTION (Authorisation to be given to the Board of Directors to cancel shares held in treasury stock pursuant to Article L.22-10-62 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.22-10-62 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 Annual 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.

TWELFTH 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)

The Extraordinary General Meeting, having considered the Board of Directors' report and the Statutory Auditors' special report, resolves, in accordance with Articles L.22-10-49, 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 Annual General Meeting of 3 April 2020.

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 delegation, 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 ten 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 ten 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.

THIRTEENTH EXTRAORDINARY RESOLUTION (Ratification of the Board of Directors' decision of 11 February 2021 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 11 February 2021 to align the Articles of Association with current laws and regulations, as follows:
– Alignment of Article 28 of the Company's Articles of Association with Article L.22-10-46 of the French Commercial Code created by Government Order 2020-1142 dated 16 September 2020, adding a new chapter in said Code concerning companies whose shares are admitted to trading on a regulated market or on a multilateral trading system.
– Corresponding amendment to Article 28 of the Articles of Association, as follows, without any changes to the rest of the Article: *"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) shall not qualify for the double voting rights provided for in Article L.22-10-46 of the French Commercial Code."*

FOURTEENTH 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.

FIFTEENTH 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 resolutions presented below, based on the quorum and majority voting rules applicable to extraordinary resolutions, with the exception of the ninth extraordinary resolution (authorisation for the Board of Directors to increase the capital by capitalising reserves, profits or share premiums) for which the quorum corresponds to one-fifth of the shares making up the issued capital and a simple majority vote by the shareholders present and represented is required.

Shareholders are asked to grant delegations of competence to the Board to issue shares and securities with rights to ordinary shares, with or without pre-emptive subscription rights for existing shareholders, in order to enable the Company to swiftly take advantage of market opportunities. 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.

The delegations of competence will give the Board ample scope to act in all circumstances in the best interests of the Company, by deciding to issue ordinary shares and securities with rights to ordinary shares in France or abroad.

They are being sought for a period of 26 months from the date of this Meeting, and would replace the unused portion of earlier delegations to the same effect.

Specifically, shareholders are invited to grant delegations of competence or powers to the Board of Directors to issue ordinary shares and/or securities with rights to ordinary shares, with or without pre-emptive subscription rights for existing shareholders, in order to enable the Board to take up opportunities – especially by cancelling shareholders' pre-emptive rights – 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.

Shareholders are also asked to give the Board of Directors an authorisation, valid for thirty-eight (38) months from the date of this Meeting, to make share grants to employees or corporate officers of the Company or of related companies or entities within the meaning of Article L.225-197-2 of the French Commercial Code, or to certain categories of employees or corporate officers.

In two other extraordinary resolutions, shareholders are invited to (i) authorise the Board of Directors to cancel shares acquired under the share buyback programme and (ii) grant a delegation of competence to the Board of Directors to issue shares to employees who are members of an Employee Share Ownership Plan.

Lastly, shareholders are invited to ratify an amendment to the Articles of Association decided by the Board of Directors on 11 February 2021 pursuant to the authorisation given by the Annual General Meeting of 3 April 2020 in the twelfth extraordinary resolution. The purpose of this amendment is to align Article 28 of the Articles of Association with the new numbering of the French Commercial Code created by Government Order 2020-1142 dated 16 September 2020.

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.

1. Delegations of competence to issue ordinary shares and securities with immediate or deferred rights to ordinary shares

In the first, second and third extraordinary resolutions, shareholders are asked to grant the Board of Directors a 26-month delegation of competence to issue, with or 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, L.22-10-51 and L.22-10-52. The non-cumulative aggregate par value of ordinary shares issued under these three delegations of competence and those sought in the first to seventh extraordinary resolutions of this Meeting of 15 April 2021 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.

1.1. Issues with pre-emptive subscription rights (first extraordinary resolution)

a) The first extraordinary resolution concerns a delegation of competence to issue ordinary shares and securities with immediate or deferred rights to ordinary shares, with pre-emptive subscription rights for existing shareholders.

A decision to delegate competence to the Board to issue securities with deferred rights to ordinary shares, whatever the form of said rights, would automatically entail or could entail, depending on the case, the waiver by shareholders of their pre-emptive right to subscribe for the ordinary shares issued on exercise of the rights attached to the securities (although shareholders would have a pre-emptive right to subscribe for the securities).

The aggregate amount by which the capital could be increased during the 26-month period covered by the delegation of competence would be capped at €100 million.

This ceiling does not take into account the effect on the amount of the capital increase of any adjustments that may be made to protect the rights of holders of securities with rights to ordinary shares.

The aggregate nominal value of dated or undated, subordinated or unsubordinated debt securities that may be issued under the first extraordinary resolution – including securities associated with the issue of debt securities or securities allowing the issue of intermediate debt securities – would not exceed €2 billion or the equivalent (on the date the issue is decided) in foreign currency or in a monetary unit determined by reference to a basket of currencies. This ceiling does not include any redemption premiums that may be payable on the securities.

This ceiling applies to the cumulative amount of all debt securities that may be issued under the second, third, sixth and seventh extraordinary resolutions tabled at this Meeting of 15 April 2021, but is independent and separate from the ceiling on the issue 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.

The life of debt securities with rights to ordinary shares would not exceed 50 years, although the delegation of competence could also be used to issue undated subordinated or unsubordinated notes. It could be used to issue fixed and/or floating rate or zero coupon debt securities. The securities could be redeemable in advance at par or at a premium, or repayable in instalments. In addition, they could be bought back on the market or through a cash or exchange offer made by the Company.

In accordance with Article L.228-97 of the French Commercial Code, the issue agreement could stipulate that the securities would be redeemable only after all of the Company's other creditors had been paid, including or excluding holders of participating securities; it could also stipulate a creditor ranking.

b) The issue price of securities with 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 shares' par value.

c) The terms and conditions under which shareholders' pre-emptive subscription rights may be exercised pro rata to their existing shareholding will be set by the Board of Directors in accordance with the applicable laws. The Board of Directors may also give shareholders a pre-emptive 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. If the entire issue was not taken up by shareholders exercising their pre-emptive subscription rights as provided for above, the Board of Directors could 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: (i) limit the amount of the issue to the subscriptions received, provided that at least three-quarters of the planned issue was taken up; or (ii) freely allocate all or some of the unsubscribed shares or securities; or (iii) offer all or some of the unsubscribed shares or securities for subscription by the public, through a public placement in France and/or, if appropriate, abroad and/or on the international market.

d) On these bases, the Board of Directors will have the broadest powers to carry out the above issues, on one or several occasions and on all markets, in the best interests of the Company and its shareholders, to place the issue(s) on record and to amend the Articles of Association to reflect the new capital, to charge the issue costs against the premiums on the issued shares and deduct from said premiums the amount necessary to raise the legal reserve to one-tenth of the new capital, and to carry out any and all filing and other formalities and obtain any and all authorisations that may be necessary to carry out and complete the issues.

The Board of Directors would decide the characteristics, terms and conditions of each issue, set the subscription price of the shares or other securities, which may or may not include a premium, 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.

In accordance with the law, the Board of Directors could delegate the powers granted by shareholders under the first 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.

1.2. 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 26-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 delegation 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 15 April 2021.

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 first, third, sixth and seventh extraordinary resolutions of this Meeting of 15 April 2021, (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.22-10-32 of the French Commercial Code (adopted in application of Article L.22-10-52 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 1.4 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.

1.3. 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 26-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 15 April 2021.

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 first, second, sixth and seventh extraordinary resolutions of this Meeting of 15 April 2021, (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.22-10-32 of the French Commercial Code (adopted in application of Article L.22-10-52 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 1.4 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.

1.4. Issues without pre-emptive subscription rights: determination 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.22-10-52 of the French Commercial Code, in the fourth extraordinary resolution the Board of Directors is seeking a 26-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.

1.5. Share issue with or without pre-emptive subscription rights: authorisation to be given to the Board to increase the number of shares offered (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 (delegation of competence to issue shares and securities with rights to shares with pre-emptive subscription rights) and the second and third extraordinary resolutions (delegations of competence to issue shares and securities with rights to shares without pre-emptive subscription rights through a public offer) tabled at this Meeting of 15 April 2021, 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, second and third extraordinary resolutions tabled at this Meeting of 15 April 2021, 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.

1.6. Issue of securities in connection with a public exchange offer made by the Company (sixth extraordinary resolution)

A delegation of competence is being sought in accordance with Articles L.225-129-2, L.22-10-54 and L.228-92 of the French Commercial Code to allow the Board to use the authorisation given in the second extraordinary resolution to issue ordinary shares and securities with immediate or deferred rights to ordinary shares in payment for shares tendered to a public exchange offer by SFL for the shares of another company traded on a regulated market in a country that is a member of the European Economic Area or of the OECD.

The procedure allows shares to be exchanged without SFL being required to implement the procedures applicable to contributions of shares or other securities.

The rules described in the above section on the second extraordinary resolution would also apply to issues carried out under the sixth extraordinary resolution, except those concerning the issue price of ordinary shares or securities with rights to ordinary shares, and the priority subscription right for existing shareholders.

Existing shareholders would not have a pre-emptive right to subscribe for the new shares and shareholders are therefore asked to waive this right, on the same basis as under the second extraordinary resolution.

For each issue, the Board would be authorised to decide the type and characteristics of the ordinary shares or securities with rights to ordinary shares, the exchange ratio and the amount of any cash payment that would be due if application of the exchange ratio resulted in rights to fractions of shares. The amount of the capital increase would depend on the number of shares of the target tendered to the offer, taking into account the number of ordinary shares and securities with rights to ordinary shares issued and the exchange ratio.

The aggregate par value of ordinary shares issued under this delegation, which is the subject of a special resolution, would be capped at €100 million. This amount represents the ceiling for cumulative share issues carried out under the first, second, third and seventh extraordinary resolutions tabled at this Meeting of 15 April 2021. It does not take into account the effect on the amount of the capital increase of any adjustments that may be made to protect the rights of holders of securities with rights to ordinary shares.

The delegation is being sought for a period of 26 months from the date of this Meeting.

1.7. Issues in payment for contributed shares or securities with rights to shares or securities (seventh extraordinary resolution)

In accordance with the rules introduced in Articles L.225-147 and L.22-10-53 of the French Commercial Code, the seventh extraordinary resolution concerns a 26-month delegation of powers sought by the Board of Directors to issue ordinary shares and securities with rights to ordinary shares in payment for shares or securities with rights to shares contributed to the Company under transactions that are not governed by Article L.22-10-54 of the French Commercial Code. Issues under this authorisation would be capped at 10% of the Company's capital at the issue date, taking into account any adjustments made after this Meeting of 15 April 2021.

Shareholders would be required to waive their pre-emptive right to subscribe for the new shares or securities, in favour of the holders of the contributed shares or securities.

In addition, if the delegation of powers was used to issue securities with rights to ordinary shares, shareholders would automatically be considered as having waived their pre-emptive right to subscribe for the shares issued on exercise of said rights.

Issues under this delegation would be deducted from the amount available under the blanket ceiling set in the eighth extraordinary resolution for issues carried out under the first to seventh extraordinary resolutions.

If the seventh extraordinary resolution was used, the Board would be authorised to approve the value attributed to the contributed shares or securities and to the benefits granted, based on the valuation report issued by the expert appraiser of capital contributions, in the same way as if the transaction had been presented to shareholders for approval (paragraphs 1 and 2 of Article L.225-147 of the French Commercial Code), and to place on record the capital increases carried out under the resolution. The Board could also reduce the value attributed to the contributed shares or securities or the remuneration of any benefits granted, with the agreement of the parties making the contribution.

The Board would be given the necessary powers to act on this authorisation and to amend the Articles of Association to reflect the resulting capital increase(s).

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.

1.8. Blanket ceiling on the authorisations (eighth extraordinary resolution)

Shareholders are asked to set at €100,000,000 the aggregate par value 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 to seventh extraordinary resolutions tabled at this Meeting of 15 April 2021. The par value 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.

1.9. Capital increase to be paid up by capitalising reserves, profits or share premiums (ninth extraordinary resolution)

The ninth extraordinary resolution concerns a delegation of competence sought by the Board of Directors to increase the capital by capitalising reserves, profits or share premiums. This type of transaction, which does not necessarily lead to the issue of new ordinary shares, is governed by specific legal provisions contained in Article L.225-130 of the French Commercial Code. The delegation of competence is subject to the quorum and majority voting rules applicable to Ordinary General Meetings, which is why a separate resolution is being tabled.

The 26-month delegation of competence would enable the Board of Directors to decide to increase the capital by up to €25 million through one or several transactions. This ceiling does not include the par value of any ordinary shares to be issued to protect the rights of holders of securities with rights to ordinary shares. In addition, it is independent and separate from the ceilings set in the first to seventh extraordinary resolutions.

The Board of Directors would have full powers to decide the items and amounts to be capitalised, as well as the method to be used to carry out the capital increase (increase in the par value of shares and/or bonus share issue), to place on record each capital increase and amend the Articles of Association to reflect the new capital, and to make any and all adjustments required by law.

If the capital increase was carried out by issuing bonus shares, with future or retroactive dividend rights, the Board could decide that rights to fractions of shares would be non-transferable, and that the corresponding shares would be sold, in which case the sale proceeds would be allocated among holders of rights to fractions of shares within the period stipulated in the applicable regulations.

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.

2. Specific authorisations

2.1. Authorisation to the Board of Directors to grant shares to eligible employees and corporate officers of SFL and/or its subsidiaries, without pre-emptive subscription rights for existing shareholders (tenth extraordinary resolution)

The Board is seeking an authorisation – which could be delegated to any person to whom the powers may be delegated pursuant to the law – to make one or more awards of existing or newly-issued ordinary shares of the Company in accordance with Articles L.225-197-1 *et seq.*, L.22-10-59 and L.22-10-60 of the French Commercial Code, on the basis specified below.

This authorisation would cancel, with immediate effect, the unused portion of the authorisation given in the second extraordinary resolution of the General Meeting of 20 April 2018.

The awards may be made to employees or corporate officers (within the meaning of Article L.225-197-1 II paragraph 1 of the French Commercial Code) of the Company or of related companies or entities within the meaning of Article L.225-197-2 of the French Commercial Code, or to certain categories of employees or corporate officers.

This authorisation is being sought for a period of 38 months from the date of this Meeting.

The total number of ordinary shares awarded under this resolution would not represent more than 1% of the Company's share capital as of the date of this Meeting and, within this limit, the number of shares awarded to corporate officers (*mandataires sociaux*) would not represent more than 0.5% 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 are met.

The Board of Directors will set the vesting period applicable to each grant, which will not be less than the statutory minimum period of one year as from the grant date.

The Board of Directors shall also set the lock-up period applicable to each award, provided that the total period represented by the vesting period and the lock-up period shall not be less than two years.

As an exception to the above stipulation, the shares would vest before the end of the vesting period if the recipient was classified as suffering from a category 2 or category 3 disability as defined in Article L.341-4 of the French Social Security Code. In addition, in the event of death of a recipient, his or her heirs could apply for the shares to be allocated to them within six months of the date of death. Any shares that vested immediately in the event of a recipient's disability or that were transferred to a deceased recipient's heirs would become freely transferable with immediate effect.

The shares granted under this resolution may be existing shares, in which case they will be bought back under the buyback programme authorised in the fourteenth ordinary resolution of the Meeting of 15 April 2021 pursuant to Article L.22-10-62 of the French Commercial Code or any buyback programme applicable before or after this resolution is adopted.

This authorisation would automatically entail the waiver by existing shareholders of their pre-emptive right to subscribe for ordinary shares to be issued in respect of vested share awards. In addition, if this authorisation resulted in a capital increase at the end of the vesting period, paid up by capitalising retained earnings, profits or share premiums, shareholders would automatically waive their right to the capitalised portion of retained earnings, profits or share premiums.

The Board of Directors is asking shareholders for full powers to implement this resolution within the limits specified above. These powers could be delegated to any person to whom the powers may be delegated pursuant to the law and the Board could be assisted by a committee made up of persons of its choice. Specifically, the Board would have the power to:
– Set the terms of the performance share plans and the allocation criteria, if any.
– Decide the dates of the share grants, on the basis and subject to the restrictions prescribed by law.
– Draw up the list of grantees, the number of performance share rights to be awarded to each grantee, and the related terms and conditions.
– Determine, within the limits set in this resolution, the vesting period and the lock-up period, if any.
– Decide on the situations in which the number of shares granted will be adjusted following any corporate actions, in order to protect the rights of recipients.
– Generally, enter into any and all agreements, draw up any and all documents, place on record the capital increases resulting from the share grants, 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.

The Board of Directors would report to shareholders at each Annual General Meeting on the transactions carried out under this resolution, in accordance with Article L.225-197-4 of the French Commercial Code.

2.2. Authorisation to cancel SFL shares acquired under a share buyback programme (eleventh extraordinary resolution)

In relation to the fourteenth ordinary resolution of this Meeting (share buyback programme) and in accordance with Article L.22-10-62 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.

2.3. Share issues to employees who are members of an SFL Employee Share Ownership plan (twelfth 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.22-10-49, 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 ten 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.

Cancellation of authorisations and delegations of competence given at the Extraordinary Meetings of 20 April 2018, 5 April 2019 and 3 April 2020.

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 20 April 2018, 5 April 2019 and 3 April 2020 will be automatically cancelled.

3. Alignments and amendments of the Articles of Association

3.1. Ratification of the Board of Directors' decision of 11 February 2021 aligning the Company's Articles of Association with current laws and regulations (thirteenth extraordinary resolution)

Shareholders are invited to ratify the following alignment of the Articles of Association decided by the Board of Directors on 11 February 2021 pursuant to the authorisation given to the Board by the Annual General Meeting of 3 April 2020 (twelfth extraordinary resolution):

We propose aligning Article 28 of the Company's Articles of Association with Article L.22-10-46 of the French Commercial Code created by Government Order 2020-1142 of 16 September 2020 adding a new chapter in said Code concerning companies whose shares are admitted to trading on a regulated market or on a multilateral trading system. Article 28 would be amended as follows, with the rest of the article remaining unchanged: "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) shall not qualify for the double voting rights provided for in Article L.22-10-46 of the French Commercial Code."

3.2. 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 (fourteenth extraordinary resolution)

Shareholders are invited to adopt the fourteenth 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 2021

The report of the Board of Directors to the Annual General Meeting includes information about the activities of the Company since the beginning of the current financial year.

Shareholders are invited to adopt the resolutions tabled at this Meeting, after considering the report of the Statutory Auditors drawn up in accordance with the applicable laws.

The Board of Directors

Appendix 13.7 – Portfolio at 31 December 2020

Owned properties		Total surface area (sq.m.)	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*	106 Haussmann	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**	**290,076**	**36,656**	**3,125**	**8,019**	**6,790**	**12,337**	**18,051**	**18,284**	**3,008**

* Building sold on 17 February 2021.
** Planned surface area.
*** Building sold on 13 January 2021.

Consolidated Financial Statements for the Year Ended 31 December 2020

The consolidated financial statements were approved for publication by the Board of Directors on 11 February 2021.

A – Consolidated Statement of Financial Position

ASSETS

(in thousands of euros)	Notes Section E	31 Dec. 2020	31 Dec. 2019
Intangible assets	IV - 1	1,244	532
Property and equipment	IV - 2	20,804	20,325
Investment property	IV - 4	7,081,176	7,045,049
Non-current financial assets	VI - 5	514	8,225
Other non-current assets	V - 4	26,832	8,233
Total non-current assets		**7,130,570**	**7,082,364**
Investment property held for sale	IV - 5	259,459	–
Trade and other receivables	V - 3	83,431	78,735
Other current assets	V - 4	2,050	234
Cash and cash equivalents	VI - 6	15,283	54,002
Total current assets		**360,223**	**132,971**
Total assets		**7,490,793**	**7,215,335**

EQUITY AND LIABILITIES

(in thousands of euros)	Notes Section E	31 Dec. 2020	31 Dec. 2019
Share capital		93,058	93,058
Reserves		4,266,590	3,802,389
Profit for the year		286,879	589,758
Equity attributable to owners of the parent		**4,646,526**	**4,485,205**
Non-controlling interests		550,442	551,770
Total non-controlling interests		**550,442**	**551,770**
Total equity	**VII - 1**	**5,196,968**	**5,036,975**
Long-term borrowings and derivative instruments	VI - 1	1,476,560	1,441,490
Long-term provisions	VIII - 1	1,608	1,414
Deferred tax liabilities	X - 2	217,266	221,571
Accrued taxes	X - 3	–	5,142
Other non-current liabilities	V - 6	27,691	26,870
Total non-current liabilities		**1,723,126**	**1,696,487**
Trade and other payables	V - 5	43,708	26,196
Short-term borrowings and other interest-bearing debt	VI - 1	480,937	392,814
Short-term provisions	VIII - 1	1,007	1,123
Other current liabilities	V - 6	45,047	61,740
Total current liabilities		**570,699**	**481,873**
Total equity and liabilities		**7,490,793**	**7,215,335**

B – Consolidated Statement of Comprehensive Income

(in thousands of euros)	Notes Section E	2020	2019[1]
Rental income		**182,424**	**198,710**
Gross property expenses		(40,291)	(42,902)
Property expenses recovered from tenants		31,990	33,005
Property expenses, net of recoveries		(8,302)	(9,897)
Net property rentals	**V - 1**	**174,122**	**188,813**
Other income	V - 2	4,336	9,003
Depreciation, amortisation and impairment	IV - 3	(915)	(1,386)
Provision expense, net	VIII - 2	(1,700)	(728)
Employee benefits expense	IX - 1	(14,582)	(13,682)
Other expenses	V - 7	(8,653)	(9,254)
Profit/(loss) on disposal of other assets		–	(3)
Fair value adjustments to investment property	IV - 4	176,526	526,889
Operating profit		**329,134**	**699,652**
Finance costs and other financial income and expenses	VI - 2	(29,878)	(26,696)
Financial income	VI - 2	17	73
Fair value adjustments to financial instruments	VI-3	(10)	(1,181)
Discounting adjustments to receivables and payables		(150)	(319)
Other financial income and expenses	VI - 3	(4,309)	-
Profit before income tax		**294,804**	**671,529**
Income tax benefit/(expense)	X - 1-2	1,548	(23,809)
Profit for the year		**296,351**	**647,720**
Attributable to owners of the parent		**286,879**	**589,758**
Attributable to non-controlling interests	VII - 5	9,472	57,962
Earnings per share	VII - 4	€6.19	€12.74
Diluted earnings per share	VII - 4	€6.18	€12.71
Other comprehensive income			
Actuarial gains and losses	VIII - 1	(115)	(57)
Items that will not be reclassified to profit or loss		(115)	(57)
Valuation gains and losses on financial instruments (cash flow hedges)	VI - 3	(5,867)	5,697
Items that may be reclassified subsequently to profit or loss		(5,867)	5,697
Other comprehensive income/(expense)		**(5,983)**	**5,640**
Comprehensive income		**290,369**	**653,360**
Attributable to owners of the parent		**280,896**	**595,398**
Attributable to non-controlling interests		9,472	57,962

(1) The presentation of finance costs and other financial expenses and financial income has been changed to present capitalised interest in accordance with IAS 23 – Borrowing Costs. The reclassification has no impact on either “Finance costs and other financial income and expenses, net” or “Profit for the year”.

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	Total equity
Equity at 31 December 2018	**93,058**	**556,116**	**22,621**	**(18,317)**	**-**	**3,004,744**	**351,636**	**4,009,856**	**502,107**	**4,511,963**
Movements for the year										
Profit for the year	–	–	–	–	–	–	589,758	589,758	57,962	647,720
Other comprehensive income/(loss), net of tax	–	–	–	–	5,697	(57)	–	5,640	–	5,640
Comprehensive income	–	–	–	–	**5,697**	**(57)**	**589,758**	**595,398**	**57,962**	**653,360**
Appropriation of profit	–	–	–	–	–	351,636	(351,636)	–	–	
Treasury share transactions	–	–	–	2,774	–	–	–	2,774	–	2,774
Gains and losses on sales of treasury shares	–	–	–	(2,393)	–	–	–	(2,393)	–	(2,393)
Share-based payments	–	–	–	–	–	2,282	–	2,282	–	2,282
Dividends paid to owners of the parent	–	–	–	–	–	(122,711)	–	(122,711)	(8,299)	(131,010)
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**	**5,036,975**
Movements for the year										
Profit for the year	–	–	–	–	–	–	286,879	286,879	9,472	296,351
Other comprehensive income/(loss), net of tax	–	–	–	–	(5,867)	(115)	–	(5,983)	–	(5,983)
Comprehensive income	–	–	–	–	**(5,867)**	**(115)**	**286,879**	**280,896**	**9,472**	**290,368**
Appropriation of profit	–	–	–	–	–	589,758	(589,758)	–	–	
Treasury share transactions	–	–	–	2,635	–	–	–	2,635	–	2,635
Gains and losses on sales of treasury shares	–	–	–	(2,652)	–	–	–	(2,652)	–	(2,652)
Share-based payments	–	–	–	–	–	3,270	–	3,270	–	3,270
Dividends paid to owners of the parent	–	–	–	–	–	(122,828)	–	(122,828)	(10,801)	(133,629)
Equity at 31 December 2020	**93,058**	**556,116**	**22,621**	**(17,953)**	**(170)**	**3,705,978**	**286,879**	**4,646,526**	**550,442**	**5,196,968**

D – Consolidated Statement of Cash Flows

(in thousands of euros)	Notes Section E	2020	2019
Cash flows from operating activities			
Profit for the year attributable to owners of the parent		286,879	589,758
Fair value adjustments to investment property	IV-4	(176,526)	(526,889)
Depreciation, amortisation and impairment	IV-3	915	1,386
Net additions to provisions	VIII-1	817	447
Net (gains)/losses from disposals of assets, after tax		–	3
Discounting adjustments and valuation losses on financial instruments		4,469	1,500
Deferral of rent-free years and key money	V-1	(1,171)	3,568
Employee benefits	IX-3	3,270	2,282
Non-controlling interests in profit for the year	VII-5	9,472	57,962
Cash flow after finance costs and income tax		**128,126**	**130,017**
Finance costs	VI-2	29,861	26,623
Income tax	X-2-3	(1,548)	23,809
Cash flow before finance costs and income tax		**156,439**	**180,449**
Change in working capital		(7,554)	6,904
Interest paid		(28,076)	(29,048)
Interest received		17	73
Income tax paid		(13,876)	(16,081)
Net cash provided by operating activities		**106,950**	**142,297**
Cash flows from investing activities			
Acquisitions of and improvements to investment property	XII	(132,182)	(63,754)
Acquisitions of intangible assets and property and equipment		(2,106)	(754)
Amounts due on asset acquisitions		16,617	–
Proceeds from disposals of investment property, intangible assets and property and equipment		–	1
Other cash inflows and outflows		2,301	(2,300)
Net cash provided by (used by) investing activities		**(115,370)**	**(66,807)**
Cash flows from financing activities			
Purchases and sales of treasury shares, net		(17)	381
Dividends paid to owners of the parent	VII - 3	(122,828)	(122,711)
Dividends paid to non-controlling interests		(8,498)	(8,299)
Proceeds from new borrowings		1,745,071	1,509,936
Repayments of borrowings		(1,646,764)	(1,426,050)
Other movements in financing items		(1,625)	(49)
Net cash provided by (used by) financing activities		**(34,661)**	**(46,792)**
Net change in cash and cash equivalents		**(43,081)**	**28,698**
Cash and cash equivalents at beginning of year		54,002	25,304
Cash and cash equivalents at end of year	XII	10,921	54,002
Net change in cash and cash equivalents		**(43,081)**	**28,698**

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 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.
- Amendments to IFRS 9, IAS 39, IFRS 7 Interest Rate Benchmark Reform – Phase 1. These amendments are designed to facilitate financial reporting during the period of uncertainty arising from the reform of interest rate benchmarks such as interbank offered rates (IBORs) and the replacement of EURIBOR and EONIA with new benchmarks (hybrid EURIBOR, ESTER). In the first phase of the project, companies have been granted temporary relief from applying specific hedge accounting requirements to hedging relationships, so that hedge accounting can continue to be applied. This relief will last until the reform is published. IBOR reform and its potential effects are currently being examined by the Group.
- 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.
- Amendment to IFRS 16 – Leases – Covid-19-Related Rent Concessions. IFRS 16 requires lessees to consider individual lease contracts to determine whether certain rent concessions are lease modifications. If this is the case, the lessee must remeasure the lease liability by applying a revised discount rate. The amendment to IFRS 16 exempts lessees from having to determine whether rent concessions occurring as a direct consequence of the Covid-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications by recognising their impact in profit or loss for the period. This practical expedient only applies to lessees' rent concessions occurring as a direct consequence of the Covid-19 pandemic, and only if certain conditions are met.

The amendment does not grant any relief to lessors from the obligation of analysing rent concessions to determine whether they are lease modifications. In the case of SFL, rent concessions granted to lessees are considered lease modifications when the annual rent exceeds €300 thousand. In such cases, their effects are recognised over the period to the lease's next potential exit date.

The following amendments published by the IASB had not yet been adopted by the European Union at 31 December 2020:

- Amendments to IAS 1 – Presentation of Financial Statements – Classification of Liabilities as Current or Non-current. These amendments clarify the criteria for classifying liabilities as current or non-current, which could consequently affect a company's loan covenants. To give companies time to prepare for the amendments, the IASB has set the effective date for these amendment at January 2022.
- Annual Improvements, 2018-2020 cycle – IFRS 9 – Financial Instruments. To determine whether a modified financial liability should be derecognised, its terms are examined to assess whether they are substantially different from those of the original liability. The amendment clarifies the fees a company includes in the "ten percent test" used to perform this assessment. It stipulates that only fees paid or received between the company (the borrower) and the lender should be taken into account.
- Amendment to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets. The amendment modifies the standard to specify that the cost of fulfilling a contract includes both the incremental costs, such as direct labour and raw materials costs, and an allocation of other costs that relate directly to fulfilling contracts, such as the depreciation charge for an item of property, plant and equipment used in fulfilling the contract. This amendment is effective for financial periods beginning on or after 1 January 2022, with earlier application allowed.

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-4).

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-4).

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 2020 represented roughly 17% of the total portfolio. They consist mainly of the Group's current three flagship projects concerning:

- 83 avenue Marceau (approximately 9,000 sq.m.). This building is in the process of being redeveloped, with delivery scheduled for the third quarter of 2021, and has been fully pre-let.
- The Biome office complex on avenue Emile Zola (approximately 24,000 sq.m.). Redevelopment work continued at a brisk pace in 2020 and the building will be delivered in mid-2022.
- The retail space in the Louvre Saint-Honoré building (approximately 20,000 sq.m.). Work to clear the space to be redeveloped began in September 2020 and delivery is scheduled for 2024 under the turnkey lease signed with the Cartier Foundation.

In December, SFL agreed to sell the 112 Wagram property for a net price of €120.5 million. Contracts were exchanged in early January 2021 (see Subsequent Events below).

No properties were purchased or sold during 2020.

During the year, leases were signed on some 23,000 sq.m., including 15,000 sq.m. of office space, of which approximately 6,500 sq.m. pre-let to Goldman Sachs in the 83 Marceau building that is currently being redeveloped. New leases on retail space represented around 6,000 sq.m. and mainly concerned the theatre in the Édouard VII complex.

II - 2) Financing

In May 2020, SFL issued €500 million worth of 1.50% seven-year bonds due on 5 June 2027.

In addition, a new five-year €150 million revolving line of credit was obtained from BNP Paribas. This new facility cancelled and replaced a previous €150 million revolving line of credit that was reduced to €100 million in 2019 and was due to expire in May 2021.

In September 2020, an offer was launched to buy back two bond issues due in November 2021 and November 2022 respectively. At the close of the offer period, on 8 September 2020, bonds with an aggregate face value of €160.7 million had been tendered to the offer, including €100.3 million worth of bonds due in 2021 and €60.4 million due in 2022.

These transactions, which were part of the Company's active debt management strategy, allowed SFL to optimise future average borrowing costs while also improving its balance sheet.

II - 3) Impacts of the Covid-19 health crisis

From the onset of the crisis, SFL took all necessary measures to limit the pandemic's effects on its business and results.

The Group acted swiftly to ensure that all of its properties could remain open and available for use by tenants. The only services no longer available are those that would breach current health measures (mainly mass catering services).

SFL's rental income was largely unaffected by government measures concerning small retail outlets because of its strategic focus on prime office properties in Paris. Calls for help received from retail tenants were analysed on a case-by-case basis and the Group endeavoured to support them as far as possible during this difficult period, for example by allowing them to defer payment of their second-quarter rent. In some cases, rent waivers or holidays were granted, with a €1.4 million impact on rental income for the year. Based on data at 31 December 2020, rent collection rates for the second, third and fourth quarters of 2020 stood at 99%, 99% and 98% respectively. Lastly, income from the conference centres and the Indigo hotel, which were closed during the successive lockdowns, as well as the public car park located in the Edouard VII complex, fell sharply compared with 2019. In all, the Covid-19 crisis reduced rental income for the year by approximately €6.8 million (€4.0 million after deducting net property expenses).

Work on the Group's redevelopment and renovation projects was halted for several weeks. Agreements were signed with the general contractors responsible for the main projects, in order to manage the delivery delays – estimated at several months – and the cost overruns caused by these disruptions and the deployment of health measures required before work could resume.

The rental market slowed as a result of the crisis without coming to a complete halt; however, SFL was largely unaffected because it had few vacant units immediately available for rental and was able to sign several leases on significant units during the period.

The assumptions used by the Group's valuers to estimate the portfolio's appraisal value at 31 December 2020 were adjusted to take account of the economic environment. Despite these adjustments, the valuers' report includes a material valuation uncertainty declaration concerning the Indigo hotel in the Edouard VII complex. None of the Group's other assets were concerned by this declaration, which was issued in line with an RICS practice alert.

II - 4) Subsequent events

On 13 January 2021, contracts were exchanged on the 112 Wagram building, which was sold at the originally agreed price.

On 14 January 2021, SFL agreed to sell the 9 Percier property for a net price of €143.5 million, with contracts expected to be exchanged before the end of February.

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	2020
Rental income	**151,871**	**28,197**	**2,355**	–	**182,424**
Gross property expenses	(31,762)	(6,954)	(1,575)	–	(40,291)
Property expenses recovered from tenants	26,555	4,847	588	–	31,990
Property expenses, net of recoveries	(5,207)	(2,107)	(987)	–	(8,302)
Net property rentals	**146,664**	**26,090**	**1,368**	–	**174,122**
Other income	3,283	499	217	337	4,336
Depreciation, amortisation and impairment	–	–	–	(915)	(915)
Provision expense, net	(654)	(230)	–	(817)	(1,700)
Employee benefits expense	–	–	–	(14,582)	(14,582)
Other expenses	–	–	–	(8,653)	(8,653)
Profit/(loss) on disposal of other assets	–	–	–	–	–
Fair value adjustments to investment property	142,379	36,195	(2,048)	–	176,526
Operating profit/(loss)	**291,672**	**62,555**	**(462)**	**(24,629)**	**329,134**
Finance costs and other financial expenses	–	–	–	(29,878)	(29,878)
Financial income	–	–	–	17	17
Fair value adjustments to financial instruments	–	–	–	(10)	(10)
Discounting adjustments to receivables and payables	–	–	–	(150)	(150)
Other financial income and expenses	–	–	–	(4,309)	(4,309)
Profit/(loss) before income tax	**291,672**	**62,555**	**(462)**	**(58,960)**	**294,804**
Income tax benefit/(expense)	(2,856)	-	-	4,403	1,548
Profit/(loss) for the year	**288,816**	**62,555**	**(462)**	**(54,557)**	**296,351**
Attributable to owners of the parent	**277,793**	**62,555**	**(462)**	**(53,006)**	**286,879**
Attributable to non-controlling interests	11,023	–	–	(1,551)	9,472
Other comprehensive income					
Actuarial gains and losses	–	–	–	(115)	(115)
Items that will not be reclassified to profit or loss	–	–	–	(115)	(115)
Valuation gains and losses on financial instruments (cash flow hedges)	–	–	–	(5,867)	(5,867)
Items that may be reclassified subsequently to profit or loss	–	–	–	(5,867)	(5,867)
Other comprehensive income/(expense)	–	–	–	**(5,983)**	**(5,983)**
Comprehensive income/(expense)	**288,816**	**62,555**	**(462)**	**(60,539)**	**290,369**
Attributable to owners of the parent	**277,793**	**62,555**	**(462)**	**(58,988)**	**280,896**
Attributable to non-controlling interests	11,023	–	–	(1,551)	9,472

(in thousands of euros)	Paris CBD	Other Paris	Western Crescent	Corporate	31 Dec. 2020
Segment assets	6,126,040	1,189,464	115,310	39,888	7,470,712
Unallocated assets	–	–	–	20,081	20,081
Total assets	**6,126,040**	**1,189,464**	**115,310**	**59,979**	**7,490,793**

The segment analysis for the previous year breaks down as follows:

(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)
Fair value adjustments to investment property	458,400	55,971	12,518	–	526,889
Operating profit/(loss)	**619,902**	**89,105**	**14,148**	**(23,503)**	**699,652**
Finance costs and other financial expenses	–	–	–	(26,696)	(26,696)
Financial income	–	–	–	73	73
Fair value adjustments to financial instruments	–	–	–	(1,181)	(1,181)
Discounting adjustments to receivables and payables	–	–	–	(319)	(319)
Profit/(loss) before income tax	**619,902**	**89,105**	**14,148**	**(51,626)**	**671,529**
Income tax 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)
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
Items that may be reclassified subsequently to profit or loss	–	–	–	5,697	5,697
Other comprehensive income	–	–	–	**5,640**	**5,640**
Comprehensive income/(expense)	**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	31 Dec. 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**

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 period in which they are capitalised.

(in thousands of euros)	31 Dec. 2019	Increases	Decreases	Reclassifications	31 Dec. 2020
Cost					
Computer software	6,750	–	(9)	684	7,426
Other	1,204	852		(684)	1,372
Amortisation and impairment					
Computer software	(6,635)	(95)	9	–	(6,723)
Other	(787)	(45)		–	(832)
Carrying amount	**532**	**712**	–	–	**1,244**

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. 2019	Increases	Decreases	Reclassifications	31 Dec. 2020
Cost					
Owner-occupied property	21,238	–	–	–	21,238
Other property and equipment	6,261	1,253	–	–	7,514
Depreciation and impairment					
Owner-occupied property	(3,507)	(287)	–	–	(3,794)
Other property and equipment	(3,667)	(488)	–	–	(4,154)
Carrying amount	**20,325**	**478**	–	–	**20,804**

The fair value excluding transfer costs of owner-occupied property – corresponding to the Company's headquarters – was €51,359 thousand at 31 December 2020 and €48,291 thousand at 31 December 2019.

IV - 3) Depreciation, amortisation and impairment

(in thousands of euros)	2020	2019
Amortisation and impairment of intangible assets	(140)	(470)
Depreciation and impairment of property and equipment	(775)	(916)
Total	**(915)**	**(1,386)**

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) 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 period-end – Market value at the prior period-end – Work and other costs capitalised during the period.
The change in fair value is adjusted to exclude the effects of specific lease terms or provisions recognised under other asset captions and included in the fair value calculation, to avoid these effects being taken into account twice.
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 2020 by Cushman & Wakefield and CBRE.

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: 55%
– CBRE: 45%

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 2020 other than for half-yearly and annual appraisals amounted to €115 thousand, and mainly consisted of marketing fees (tenant searches).

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 periods and rent step-ups, vacancy risk and projected changes in the construction cost index (ICC), office rent index (ILAT) and retail rent index (ILC). Each property is analysed in detail, 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 year 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. Asset valuations include the estimated cost of future work (based on expenditure budgets for properties in the process of being redeveloped), including any lessor contributions to the cost of work carried out by the tenant.

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 year.

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.

At 31 December 2020, the market was severely affected by the Covid-19 crisis, and the valuers' report on the hotel in the

Edouard VII complex includes a material valuation uncertainty declaration in line with RICS Valuation – Global Standards VPS 3 and VPGA 10, stating that the hotel's appraisal value is less certain and more conservatively estimated than in normal circumstances.

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 1.8% 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. 2019	Increases	Gains from remeasurement at fair value	Decreases	Losses from remeasurement at fair value	Reclassifications	31 Dec. 2020
Investment property	7,045,049	119,061	260,369	–	(83,843)	(259,459)	7,081,176
Total	**7,045,049**	**119,061**	**260,369**	**–**	**(83,843)**	**(259,459)**	**7,081,176**

Reconciliation of the appraisal value of investment property to their fair value in the statement of financial position:

(in thousands of euros)	31 Dec. 2020	31 Dec. 2019
Appraisal value of investment property, excluding transfer costs	7,457,515	7,157,690
Deduction of owner-occupied property (see Note IV-2)	(51,359)	(48,291)
Adjustments to reflect specific lease terms and other adjustments	(65,521)	(64,350)
Reclassification of investment property held for sale	(259,459)	–
Fair value of investment property in the statement of financial position	**7,081,176**	**7,045,049**

The table below shows the fair value measurement inputs for each asset class:

Geographic area	Value excluding transfer costs 31 December 2020 (in € millions, on a 100% basis)	Inputs	Range of values[1]	Weighted average[1]
Paris Central Business District	6,176	Market rents	€630 - €940	€758
		Exit yield	2.75% - 3.16%	2.93%
		Discount rate	3.70% - 4.20%	4.07%
Other Paris	1,167	Market rents	€548 - €744	€619
		Exit yield	3.10% - 3.50%	3.27%
		Discount rate	4.00% - 5.40%	4.48%
Western Crescent	115	Market rents	€320 - €547	€487
		Exit yield	3.55% - 5.00%	3.93%
		Discount rate	4.40% - 6.10%	4.85%
Total	**7,458**			

(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 €578,773 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 €686,750 thousand.

Investment property valuation inputs used at 31 December 2019 were as follows 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 rents	€630 - €840	€755
		Exit yield	2.90% - 3.20%	3.15%
		Discount rate	3.90% - 4.70%	4.12%
Other Paris	1,099	Market rents	€548 - €736	€613
		Exit yield	3.20% - 3.60%	3.44%
		Discount rate	4.10% - 5.80%	4.64%
Western Crescent	115	Market rents	€313 - €523	€462
		Exit yield	3.64% - 4.95%	4.01%
		Discount rate	4.50% - 5.95%	4.91%
Total	**7,158**			

(1) Offices.

IV - 5) Investment property held for sale

Accounting policy

Investment property is classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual for sales of such assets and its sale must be highly probable. Investment property is reclassified as "Assets held for sale" when their sale has been decided by the Board of Directors or a selling agent has been appointed.

On 30 September 2020, the Board of Directors approved the proposed sale of the 112 Wagram and 9 Percier properties:

– on 17 December 2020, SFL agreed to sell the 112 Wagram property for a net price of €120.5 million. Contracts were exchanged on 13 January 2021 at the originally agreed price.
– on 14 January 2021, SFL agreed to sell the 9 Percier property for a net price of €143.5 million, with contracts expected to be exchanged at the end of February 2021.

At 31 December 2020, the two properties were classified as held for sale at their fair value, corresponding to the final sale price or the agreed price (for 9 Percier) less broker fees and the impact of rent-free periods.

(in thousands of euros)	31 Dec 2019	Increases	Gains from remeasurement at fair value	Decreases	Losses from remeasurement at fair value	Reclassifications	31 Dec. 2020
Investment property held for sale	–	–	–	–	–	259,459	259,459
Total	–	–	–	–	–	**259,459**	**259,459**

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

An analysis of the principal versus agent distinction under IFRS 15 led to the conclusion that the Group acts as principal. Accordingly, gross property expenses are presented 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, which accounts for 98.4% of rental income. Net property rentals take into account the positive net impact of recognising rent-free periods and rent step-ups over the non-cancellable lease term. In 2020, this impact was €1,171 thousand. Revenue from external management contracts amounted to €3,074 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	**1,033,110**	**176,089**	**158,373**	**128,602**	**94,372**	**60,814**	**414,861**

V - 2) Other income

(in thousands of euros)	2020	2019
Own-work capitalised	311	1,490
Other income	4,025	7,513
Total	**4,336**	**9,003**

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. A receivables ageing analysis is used to determine historical losses. Expected losses are then determined based on observed historical losses adjusted for a forward-looking component.

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. 2020			31 Dec. 2019
	Total	Due within 1 year	Due in 1 year or more	
Trade receivables	72,009	22,432	49,577	69,364
Provisions	(2,423)	(1,356)	(1,067)	(1,417)
Trade receivables	**69,586**	**21,076**	**48,510**	**67,947**
Prepayments to suppliers	(285)	(285)	–	63
Employee advances	1	1	–	11
Tax receivables (other than income tax)	13,038	13,038	–	8,430
Other operating receivables	902	902	–	1,773
Other receivables	189	189	–	511
Other receivables	**13,845**	**13,845**	–	**10,788**
Total	**83,431**	**34,921**	**48,510**	**78,735**

Trade receivables include outstanding receivables, and receivables relating to the recognition of rent-free periods and rent concessions in accordance with IFRS for an amount of €65,521 thousand (of which €18,190 thousand is due within one year). Receivables do not bear interest.

Cost of risk can be analysed as follows:

(in thousands of euros)	2020	2019
Increases in provisions	(888)	(323)
Reversals of provisions	5	41
Bad debt write-offs, net of recoveries	(4)	(3)
Total	**(887)**	**(285)**
Rental income	182,424	198,710
Net losses as a % of rental income	**0.49%**	**0.14%**

V - 4) Other current and non-current assets

(in thousands of euros)	31 Dec. 2020	31 Dec. 2019
Prepayments	26,832	8,233
Total other non-current assets	**26,832**	**8,233**
Income tax prepayments	1,855	173
Prepayments	195	61
Total other current assets	**2,050**	**234**

Prepayments recorded under “Non-current assets” concern redevelopment work on the Biome and 83 Marceau buildings.

V - 5) Trade and other payables

(in thousands of euros)	31 Dec. 2020	31 Dec. 2019
Trade payables	9,248	8,247
Amounts due within one year on asset acquisitions	34,460	17,949
Total	**43,708**	**26,196**

The change in amounts due within one year on asset acquisitions corresponds mainly to the amounts payable to building contractors in connection with renovation work on the Louvre Saint-Honoré, Biome and 83 Marceau buildings.

V - 6) Other current and non-current liabilities

(in thousands of euros)	31 Dec. 2020	31 Dec. 2019
Deposits	27,691	26,870
Total other non-current liabilities	**27,691**	**26,870**
Deposits	2,921	14,425
Customer prepayments	20,727	22,800
Accrued employee benefits expense	5,936	5,494
Accrued taxes	7,911	13,771
Other liabilities	7,200	4,794
Accruals	352	456
Total other current liabilities	**45,047**	**61,740**

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 at 31 December 2019 included the exit tax instalments due in 2020 and related to the 131 Wagram and Biome buildings, for a total of €8,450 thousand. Accrued taxes at 31 December 2020 include the exit tax instalment due in 2021 and related to the Biome building, for €5,204 thousand.

The amounts reported under “Accruals” correspond to deferred revenue.

V - 7) Other expenses

(in thousands of euros)	2020	2019
Fees	(1,391)	(1,640)
Taxes other than on income	(2,663)	(2,840)
Other	(4,599)	(4,774)
Total	**(8,653)**	**(9,254)**

Fees paid to the Auditors in 2020 were as follows:

(in thousands of euros)	2020		2019	
	PricewaterhouseCoopers	Deloitte & Associés	PricewaterhouseCoopers	Deloitte & Associés
Statutory and contractual audits	328	245	323	241
Other services	87	44	33	19
Total	**415**	**289**	**356**	**260**

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. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019
	Effective interest rate	Expiry date	Short-term portion		Long-term portion	
Bonds						
€350 million bond issue, 2014-2021	1.875%	26 Nov. 2021	250,162	647	–	350,000
€350 million bond issue, 2015-2022	2.25%	16 Nov. 2022	821	992	289,600	350,000
€500 million bond issue, 2018-2025	1.50%	29 May 2025	4,459	4,459	500,000	500,000
€500 million bond issue, 2020-2027	1.50%	5 June 2027	4,316	–	500,000	–
Bank loans						
Natixis – Deka – Deutsche Hypotheken	1.571%	16 July 2022	2,622	2,619	195,000	197,080
Negotiable European commercial paper (NEU-CP)	Fixed rate (payable in advance)	Due within 1 year	165,000	386,500	–	–
Interest rate swaps						
CA-CIB 5-year swap	0.23%	4 June 2020(1)	–	60	–	1,605
CA-CIB 5-year swap starting 26 Nov. 2021	-0.3475%	26 Nov. 2026	–	–	457	–
Current account advances (liabilities)	Various		52,195	23	–	49,866
Bank overdrafts	Various		4,362	–	–	–
Impact of deferred recognition of debt arranging fees			(3,000)	(2,486)	(8,497)	(7,061)
Total			**480,937**	**392,814**	**1,476,560**	**1,441,490**

(1) Date on which the instrument was unwound (see Note VI.3).

The following table analyses borrowings by maturity:

(in thousands of euros)	31 Dec. 2020	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years	31 Dec. 2019
Bonds	1,549,358	259,758	789,600	500,000	1,206,098
Natixis/Deka/Deutsche Hypothekenbank	197,622	2,622	195,000	–	199,699
Negotiable European commercial paper (NEU-CP)	165,000	165,000	–	–	386,500
CA-CIB 5-year 0.23% swap	–	–	–	–	1,665
CA-CIB 5-year -0.3475% swap	457	–	–	457	–
Current account advances (liabilities)	52,195	52,195	–	–	49,889
Deferred debt arranging fees	(11,497)	(3,000)	(7,610)	(887)	(9,547)
Bank overdrafts	4,362	4,362	–	–	–
Total	**1,957,497**	**480,937**	**976,990**	**499,570**	**1,834,304**

Current account advances correspond to Prédica's minority interest in the current accounts of SCI Washington and the Parholding sub-group.

Debt covenants and acceleration clauses in force at 31 December 2020 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. 2020	Actual ratios at 31 Dec. 2019	Main acceleration clauses
Loan-to-value (LTV) <= 50%	23.8%	22.7%	Loan default Termination of operations
Interest cover >= 2x	5.2	6.6	Bankruptcy proceedings
Secured LTV <= 20%	2.5%	2.6%	Breach of financial covenants
Unrestricted property portfolio value >= €2bn	€6.8bn	€6.5bn	Material adverse event

The Group was not in breach of any of its financial covenants at 31 December 2020.

VI - 2) Finance costs and other financial income and expenses

(in thousands of euros)	2020	2019
Interest on bank loans, bonds and commercial paper	(31,485)	(28,090)
Interest on external current account advances	(144)	(133)
Interest on hedging instruments	(274)	(585)
Other financial expenses	(3,452)	(2,769)
Capitalised interest expense	5,477	4,881
Finance costs and other financial expenses	**(29,878)**	**(26,696)**
Interest income	17	73
Financial income	**17**	**73**
Finance costs and other financial income and expenses, net	**(29,861)**	**(26,623)**

Capitalised interest expense corresponds to interest capitalised at the rate of 1.43% during the redevelopment of the Louvre Saint-Honoré, Biome and 83 Marceau buildings.

The presentation of finance costs and other financial expenses and financial income has been changed to present capitalised interest in accordance with IAS 23 – Borrowing Costs. The reclassification has no impact on either “Finance costs and other financial income and expenses, net” or “Profit for the year”.

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. All of the derivative instruments held by the Group are considered as macro-hedges and qualify for hedge accounting. Prospective hedge effectiveness tests performed at 31 December 2020 showed that the hedges were 100% effective. All of the Group’s hedging positions correspond to cash flow hedges. 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.

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 2020, derivatives held by the Group included:

– A 5-year forward swap set up with CA-CIB (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.

– A 7-year collar set up with CIC (the option writer) on a notional amount of €100,000 thousand, with a -0.25% cap and a -0.52% floor. No premium is payable on this collar, which will come into effect on 16 November 2022. It is a cash flow hedge qualifying for hedge accounting.

Fair value of hedging instruments

At 31 December 2020, the portfolio of hedging instruments had a negative fair value of €170 thousand, breaking down as follows:

(in thousands of euros)	Notional amount	Maturity	31 Dec. 2020	31 Dec. 2019
CA-CIB 0.23% swap	100,000	June 2020[1]	–	(1,605)
CA-CIB -0.3475% swap	100,000	Nov. 2026	(457)	1,877
CIC -0.4525% swap	100,000	Nov. 2026	76	2,416
Société Générale 0%/-0.7525% collar	100,000	Sept. 2026	46	1,404
Cadif 0.25%/-0.52% cap	100,000	Nov. 2027	165	–
Total			**(170)**	**4,092**

(1) Date on which the instrument was unwound.

Fair value adjustments to financial instruments through profit or loss and other financial income and expenses

(in thousands of euros)	2020	2019
Interest rate hedges	(10)	(1,181)
Other financial income and expenses	(4,309)	–
Total	**(4,319)**	**(1,181)**

The 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 that came into effect on 28 November 2017 and was measured at fair value through profit or loss, was wound up in advance in June 2020, giving rise to a cash payment of €1,625 thousand.

Other financial expenses correspond to the €160.7 million cash payment made on the bonds due in November 2021 and November 2022 that were bought back and retired in September 2020.

Fair value adjustments to financial instruments through other comprehensive income

(in thousands of euros)	2020	2019
Interest rate hedges	(5,867)	5,697
Total	**(5,867)**	**5,697**

Negative fair value adjustments recorded in other comprehensive income on financial instruments qualified as cash flow hedges amounted to €5,867 thousand in 2020 (2019: positive fair value adjustments of €5,697 thousand).

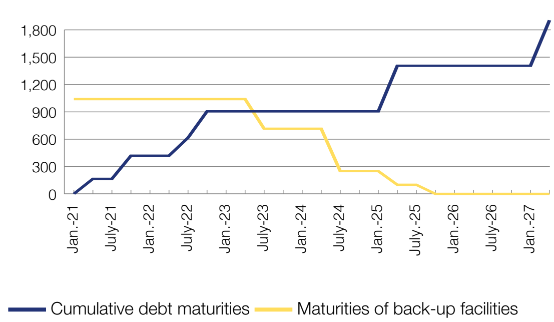
VI - 4) Financial risk management objectives and policy

The Group prudently manages its various financial risks.

1 - Liquidity risk

Liquidity risk is covered by confirmed undrawn lines of credit. At 31 December 2020, SFL had access to confirmed undrawn lines of credit in the amount of €1,040 million, compared with €990 million at 31 December 2019. 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 June 2023.

SFL 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

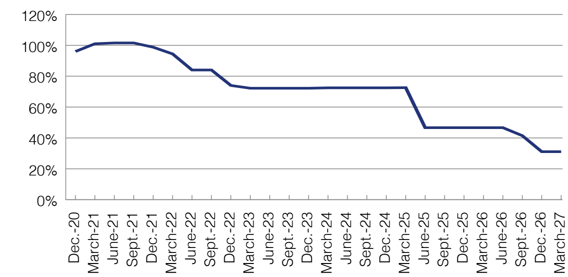
The Group did not have any exposure to currency risk at 31 December 2020. Interest rate risks are prudently and actively managed using an information system that tracks changes in the financial markets and calculates the fair value of hedging instruments in real time, thereby allowing the Group to efficiently 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 2020, 96% of debt was at fixed rates of interest (including variable rate debt swapped for fixed rate).

SFL debt hedging rate 2020-2026



b/ Risk assessment

The average spot cost of debt stood at 1.50% at 31 December 2020, versus 1.37% at 31 December 2019.

A 50-basis point rise in interest rates across the yield curve in 2020 would have had the effect of increasing the average cost of debt to 1.55%, driving up finance costs by €953 thousand or 2.70%. 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 1.46%, reducing finance costs for the year by €762 thousand or 2.16%.

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 €8,602 thousand at 31 December 2020, while a 50-basis point decrease would have had the effect of reducing their fair value by €9,283 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 2020.

(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)	165,000	–	–	–	–	–	165,000
Current account advances	52,168	–	–	–	–	–	52,168
Total floating rate debt	**217,168**	–	–	–	–	–	**217,168**

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 2020 was €1,615,147 thousand, as follows:

(in thousands of euros)	Notional amount	Maturity	31 Dec. 2020	31 Dec. 2019
November 2014 bonds	249,700	Nov. 2021	253,024	360,810
November 2015 bonds	289,600	Nov. 2022	300,430	369,588
May 2018 bonds	500,000	May 2025	528,315	524,145
June 2020 bonds	500,000	June 2027	533,378	–
Total			**1,615,147**	**1,254,543**

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. 2020	31 Dec. 2019
Deposits	227	2,528
Interest rate hedges	287	5,697
Total	**514**	**8,225**

The €2,300 thousand deposit paid by Parhaus in 2019 was reversed in the first half of 2020.

Hedging instruments with a positive fair value recognised in assets totalled €287 thousand at 31 December 2020. 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. 2020	31 Dec. 2019
Cash at bank and in hand	15,283	54,002
Total	**15,283**	**54,002**

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. 2019	Increases	Decreases	31 Dec. 2020
Number of treasury shares	222,187	24,767	(71,136)	175,818
Average purchase/sale price, in euros	€69.84	€68.68	€60.96	€73.27
Total	**15,516**	**1,701**	**(4,336)**	**12,882**

VII - 3) Dividends

(in thousands of euros)	2020		2019	
	Paid	Per share	Paid	Per share
Prior year dividend paid in current year	122,828	€2.65	122,711	€2.65
Total	**122,828**	**€2.65**	**122,711**	**€2.65**

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 period, 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 period, 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)	2020	2019
Profit used to calculate basic earnings per share	286,879	589,758
Weighted average number of ordinary shares	46,528,974	46,528,974
Number of treasury shares	(175,818)	(222,187)
Weighted average number of ordinary shares excluding treasury shares	**46,353,156**	**46,306,787**
Basic earnings per share	**€6.19**	**€12.74**
Profit used to calculate basic earnings per share	286,879	589,758
Weighted average number of ordinary shares	46,528,974	46,528,974
Number of treasury shares	(175,818)	(222,187)
Effect of dilutive instruments on the average number of shares	92,286	80,285
Diluted weighted average number of ordinary shares excluding treasury shares	**46,445,442**	**46,387,072**
Diluted earnings per share	**€6.18**	**€12.71**

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)	2020	2019
SCI Washington	**12,709**	**28,447**
Rental income	*7,848*	*7,905*
Fair value adjustments to investment property	*4,559*	*20,423*
Net financial expense	*(97)*	*(127)*
Other	*398*	*246*
Parholding subgroup	**(3,236)**	**29,515**
Rental income	*13,783*	*15,343*
Fair value adjustments to investment property	*(15,207)*	*27,179*
Net financial expense	*(1,799)*	*(1,745)*
Deferred tax	*2,153*	*(8,255)*
Current tax	*(1,441)*	*(3,265)*
Other	*(725)*	*256*
Total	**9,472**	**57,962**

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. 2019	Increases	Decreases	*o/w utilisations*	Actuarial gains and losses	Reclassifications	31 Dec. 2020
Provisions for employee benefits	1,414	817	(7)	*(7)*	115	(731)	1,608
Long-term provisions	**1,414**	**817**	**(7)**	***(7)***	**115**	**(731)**	**1,608**
Provisions for refurbishment work and tenant claims	475	–	(199)	*(199)*	–	–	276
Provisions for employee benefits	648	–	(648)	*(648)*	–	731	731
Short-term provisions	**1,123**	–	**(847)**	***(847)***	–	**731**	**1,007**
Total	**2,537**	**817**	**(854)**	***(854)***	**115**	–	**2,615**

Provisions for employee benefits include provisions for length-of-service awards payable to employees on retirement and jubilees for €1,215 thousand. See Note IX-2 for more details.

Short- and long-term provisions covering benefits payable to members of senior management amounted to €59 thousand at 31 December 2020 and €29 thousand at 31 December 2019.

VIII - 2) Provision (expense)/reversals, net

(in thousands of euros)	2020	2019
Charges to provisions for impairment of current assets	(888)	(323)
Charges to provisions for operating contingencies and charges	(728)	(727)
Charges to provisions for other contingencies and charges	(89)	(93)
Total charges	**(1,705)**	**(1,143)**
Reversals of provisions for impairment of current assets	5	41
Reversals of provisions for other contingencies and charges	–	374
Total reversals	**5**	**415**
Total	**(1,700)**	**(728)**

IX - Remuneration and Other Employee Benefits

IX - 1) Employee benefits expense

Employee benefits expense breaks down as follows:

(in thousands of euros)	2020	2019
Wages and salaries	(7,325)	(6,790)
Payroll taxes	(3,805)	(3,655)
Other employee benefits	(3,198)	(2,331)
Statutory and discretionary profit-sharing	(254)	(906)
Total	**(14,582)**	**(13,682)**

The average number of administrative staff breaks down as follows:

	31 Dec. 2020	31 Dec. 2019
Officers	2	2
Managers	58	58
Supervisors	12	11
Administrative and technical staff	1	1
Total	**73**	**72**

The Group also had two building staff at 31 December 2020 and 2019.

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)	2020	2019
Projected benefit obligation at 1 January	**1,018**	**902**
Benefits paid during the period	(7)	(35)
Service cost	83	83
Interest cost	6	11
Actuarial gains and losses	115	57
Projected benefit obligation at 31 December	**1,215**	**1,018**

The projected benefit obligation is calculated at six-monthly intervals based on actuarial assumptions, including a discount rate of 0.29% (31 December 2019: 0.69%) and a 1.00%-rate of future salary increases (31 December 2019: 2.00%). Actuarial gains and losses are recognised in equity.

A 25-bps reduction in the discount rate at 31 December 2020 would lead to a €29 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 2020

	Plan 5	Plan 5	Plan 5
Date of shareholder authorisation	20 April 2018	20 April 2018	20 April 2018
Grant date (date of Board meeting)	20 April 2018	15 Feb. 2019	6 Feb. 2020
Initial target number of shares	33,592	32,948	34,476
Initial expected vesting rate	100.00%	100.00%	100.00%
Initial number of shares expected to vest	33,592	32,948	34,476
Fair value per share	€48.64	€54.00	€65.38
Rights cancelled/forfeited	(1,768)	(340)	(128)
Expected vesting rate at end of year	200.00%	100.00%	100.00%
Number of shares expected to vest at end of year	**63,648**	**32,608**	**34,348**

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 2020, the rates applied were 200% for the 2018 plan (probable ranking: no. 1) and 100% for the 2019 and 2020 plans (probable ranking: no. 3).

During first-half 2020, a total of 46,494 performance shares vested under 2017 Plan no. 4.

The cost of performance share plans recognised in 2020 amounted to €3,270 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)	2020	2019
Short-term benefits, excluding payroll taxes(1)	2,653	2,928
Payroll taxes on short-term benefits	1,862	1,661
Share-based payments(2)	2,117	1,518
Directors' fees	693	591
Total	**7,325**	**6,698**

(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 2020, related party transactions comprise current account advances representing the share of the minority shareholder, Prédica, in the current accounts of SCI Washington and SAS Parholding (see Note VI-1).

X - Income Taxes

X - 1) 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 2020 amounted to €2,757 thousand (2019: €7,268 thousand) and mainly concerned the Parholding tax group.

X - 2) 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 year when the asset is realised or the liability is settled, i.e., 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., 28%.

(in thousands of euros)	31 Dec. 2019	Reclassifications	Equity	Income statement	31 Dec. 2020
Fair value adjustments to investment property	(191,297)	–	–	7,853	(183,442)
Adjustment of depreciation	(27,251)	–	–	(1,644)	(28,895)
Adjustment of property rentals	(1,281)	–	–	(1,901)	(3,182)
Capitalisation of interest expense and transaction costs	(521)	–	–	–	(521)
Other	(1,221)	–	–	(3)	(1,224)
Net	**(221,571)**	–	–	**4,305**	**(217,266)**
Of which deferred tax assets	–	–	–	–	–
Of which deferred tax liabilities	(221,571)	–	–	4,305	(217,266)

X - 3) Current and deferred tax liabilities

Accounting policy

Non-current liabilities with fixed maturities are discounted.

(in thousands of euros)	31 Dec. 2020	31 Dec. 2019
Accrued taxes	–	5,142
Total	–	**5,142**

At 31 December 2019, this caption corresponded mainly to the discounted present value of the long-term portion of the exit tax due as a result of the December 2017 election for the Biome building to be included in assets taxed under the SIIC regime. The final instalment is due on 15 December 2021 and has been reclassified in "Current liabilities" at 31 December 2020 (see Note VI-4).

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)	115,548	872	82,621	32,055
Other first demand guarantees	400	400	–	–
Guarantees received from suppliers	35,563	1,431	34,132	–
Total commitments received	**151,511**	**2,703**	**116,753**	**32,055**

Contractual redevelopment and renovation obligations

At 31 December 2020, the Group's contractual commitments relating to investment property undergoing renovation totalled €128,951 thousand (€67,256 thousand at 31 December 2019), of which €97,852 thousand concerned the Biome and 83 Marceau buildings.

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 2020	150,000	–	150,000	–
BNP Paribas 2019 syndicated loan	390,000	–	390,000	–
Banque Postale	75,000	–	75,000	–
Société Générale	100,000	–	100,000	–
Cadif	175,000	–	175,000	–
Total	**1,040,000**	–	**1,040,000**	–

XI - 3) Employee-related commitments

An employee who is also an officer of the Company is entitled to compensation if he or she resigns or is dismissed as a result of a major change in the scope of his or her 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 or she is dismissed from his or her position for reasons other than gross or wilful misconduct.

At 31 December 2020, total commitments for the payment of compensation amounted to €2,699 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)	2020	2019
Acquisitions of and improvements to investment property		
Work	(132,182)	(63,754)
Total	**(132,182)**	**(63,754)**
Proceeds from disposals of investment property, intangible assets and property and equipment		
Sale price	–	1
Total	–	**1**
Cash and cash equivalents at end of year		
Cash at bank and in hand	15,283	54,002
Bank overdrafts	(4,362)	–
Total	**10,921**	**54,002**

The amount reported at 31 December 2020 for improvements to investment property included €18,599 thousand in long-term prepayments in respect of redevelopment work on the Biome and 83 Marceau buildings.

Non-cash changes in bonds and bank borrowings amounted to €3,176 thousand in 2020 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.

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 2020. 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 2020

Balance Sheet

ASSETS

(in thousands of euros)	Total	Depreciation, amortisation and provisions	31 Dec. 2020 Net	31 Dec. 2019 Net
NON-CURRENT ASSETS				
Intangible assets				
Software	7,380	6,722	658	69
Lease premiums and goodwill[1]	–	–	–	–
Other	–	–	–	–
Intangible assets in progress	1,349	786	563	394
Property and equipment				
Land	710,136	1,865	708,271	710,136
Buildings	896,503	307,727	588,776	614,423
Other	5,318	3,682	1,636	1,936
Assets under construction	372,815	–	372,815	300,082
Prepayments to suppliers of property and equipment	26,832	–	26,832	8,233
Non-current financial assets[2]				
Shares in subsidiaries and affiliates	393,955	2,450	391,505	393,955
Advances to subsidiaries and affiliates	35,520	–	35,520	35,317
Other long-term investments	–	–	–	–
Loans	–	–	–	–
Other	422	–	422	420
Total I	**2,450,230**	**323,232**	**2,126,998**	**2,064,965**
CURRENT ASSETS				
Receivables[3]				
Prepayments to suppliers	29	–	29	17
Rental receivables	3,479	463	3,016	2,155
Other	456,944	–	456,944	455,453
Current financial assets				
Treasury shares	10,780	–	10,780	12,703
Other marketable securities	–	–	–	–
Treasury instruments	–	–	–	–
Cash at bank and in hand	2,298	–	2,298	9,104
Prepaid expenses[3]	170	–	170	33
Total II	**473,700**	**463**	**473,237**	**479,465**
Deferred debt issuance costs **(III)**	6,374	–	6,374	5,342
Debt redemption premiums **(IV)**	4,611	–	4,611	3,428
Conversion losses **(V)**	–	–	–	–
Total assets (I to V)	**2,934,915**	**323,695**	**2,611,220**	**2,553,200**
(1) Of which lease premiums			–	–
(2) Of which due within one year (gross)			*35,520*	*35,317*
(3) Of which due beyond one year (gross)			*449,740*	*450,993*

EQUITY AND LIABILITIES

(in thousands of euros)	31 Dec. 2020	31 Dec. 2019
EQUITY		
Share capital	93,058	93,058
Share premium account	560,380	560,380
Revaluation reserve	21,439	21,439
Other reserves		
Legal reserve	9,306	9,306
Statutory reserve	–	–
Untaxed reserves	–	–
Other	–	–
Retained earnings	1,263	65,885
Interim dividend	–	–
Profit for the year	42,992	58,206
Capital and reserves	**728,438**	**808,274**
Government grants	–	–
Untaxed provisions	24,453	22,676
Total I	**752,891**	**830,950**
Participating securities	–	–
Total Ia	–	–
Provisions for contingencies and charges	6,811	5,414
Total II	**6,811**	**5,414**
LIABILITIES(1)(2)		
Convertible bonds	–	–
Other bonds	1,549,357	1,206,099
Bank borrowings(3)	4,362	–
Other borrowings	236,730	457,927
Prepaid property rentals	10,366	7,328
Trade payables	11,028	9,607
Accrued taxes and payroll costs	10,991	19,634
Due to suppliers of property and equipment	24,164	14,180
Other liabilities	4,176	1,633
Deferred income	344	428
Total III	**1,851,518**	**1,716,836**
Conversion gains **(IV)**	–	–
Total equity and liabilities (I to IV)	**2,611,220**	**2,553,200**
(1) Of which due beyond one year	1,359,707	*1,276,943*
(2) Of which due within one year	*491,811*	*439,893*
(3) Of which short-term bank loans and overdrafts	*4,362*	–

Profit and Loss Account

(in thousands of euros)	31 Dec. 2020	31 Dec. 2019
OPERATING INCOME		
Property rentals	99,639	106,292
Service revenue	1,869	1,837
Total revenue	**101,508**	**108,129**
Own-work capitalised	1,574	683
Reversals of depreciation, amortisation and provisions, and expense transfers	30,364	27,161
Other income	2,733	3,350
Total I	**136,179**	**139,323**
OPERATING EXPENSES		
Other purchases and external charges	28,436	27,829
Taxes other than on income	11,407	12,706
Payroll costs		
Wages and salaries	12,379	10,829
Payroll taxes and other employee benefits expenses	3,965	3,573
Depreciation, amortisation and provision expense		
Depreciation and amortisation expense	37,796	36,022
Impairment losses on current assets	351	115
Provision expense	4,746	3,597
Other expenses	745	618
Total II	**99,825**	**95,289**
OPERATING PROFIT (I - II)	**36,354**	**44,034**
FINANCIAL INCOME		
From investments in subsidiaries and affiliates	41,956	39,291
From other non-current financial assets	–	–
Other interest income	528	705
Reversals of provisions and impairment losses, and expense transfers	5,477	5,355
Net gains from sales of current financial assets	–	–
Total III	**47,961**	**45,351**
FINANCIAL EXPENSES		
Amortisation, impairment losses and other provision expense	3,373	707
Interest expense	34,671	26,720
Net losses from sales of current financial assets	–	–
Total IV	**38,044**	**27,427**
NET FINANCIAL INCOME (III - IV)	**9,917**	**17,924**
PROFIT BEFORE TAX AND OTHER INCOME AND EXPENSE (I - II + III - IV)	**46,271**	**61,958**
OTHER INCOME		
From revenue transactions	221	44
From capital transactions	845	239
Reversals of provisions and impairment losses, and expense transfers	421	2,974
Total V	**1,487**	**3,257**
OTHER EXPENSES		
On revenue transactions	536	1
On capital transactions	2,673	5,124
Amortisation, impairment losses and other provision expense	1,777	1,778
Total VI	**4,986**	**6,903**
OTHER INCOME/(EXPENSE), NET (V - VI)	**(3,499)**	**(3,646)**
Employee profit-sharing (IX)	141	151
Income tax expense (X)	(361)	(45)
Total income (I + III + V)	**185,627**	**187,931**
Total expenses (II + IV + VI + IX + X)	**142,635**	**129,725**
Profit for the year	**42,992**	**58,206**

The financial statements have been prepared in accordance with French generally accepted accounting principles (GAAP).

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 2020.

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 value in use of the Company's property assets cannot be greater than their market value. For this reason, the properties' carrying amounts are compared at six-monthly intervals with their market values and an impairment loss is recognised if there is an indication of impairment. In this case, the recognised impairment loss is calculated by reference to the appraisal value excluding transfer costs for each property whose carrying amount is greater than its appraisal value. The impairment provision is allocated to the extent possible to each asset's non-depreciable components and is adjusted each year based on the new appraisal value. Properties that are in the process of being sold or are held for sale in the short-term are measured at their appraisal value or net realisable value, leading to the recognition of an impairment loss if this value is less than their carrying amount.

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 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 2020 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. Asset valuations include the estimated cost of future repairs and renovations (based on expenditure budgets for properties in the process of being redeveloped), including any lessor contributions to the cost of work carried out by the tenant.

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. At 31 December 2020, the market was severely affected by the Covid-19 crisis, and the valuers' report on the hotel in the Edouard VII complex includes a material valuation uncertainty declaration in line with RICS Valuation – Global Standards VPS 3 and VPGA 10, stating that the hotel's appraisal value is less certain and more conservatively estimated than in normal circumstances.

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) 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.

Provisions are calculated at the following rates, based on the amount of the receivable excluding tax, net of the guarantee deposit:
– Residential leases: 100%.
– Office and retail leases: 50% when the tenant is still occupying the premises; 100% when they have vacated the premises.

Provisions calculated at the above rates are adjusted where appropriate to take specific situations into account.

e) 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.

f) 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 the average SFL share price for the last month of the year.

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).

g) Expense transfers

Expense transfers correspond mainly to service charges billed to tenants (including property tax and office tax), and expenses included in property redevelopment 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. This is the case in particular for option premiums.

Financial expense transfers correspond to reclassifications of borrowing costs that are recognised on a straight-line basis over the life of the debt. They also include borrowing costs capitalised as part of the cost of property assets.

II – Significant Events of the Year

A - Significant events

Redevelopment projects

At 31 December 2020, the three main redevelopment projects being carried out by SFL were as follows:
- The retail space in the Louvre Saint-Honoré building (approximately 20,000 sq.m.). Work to clear the space to be redeveloped began in September 2020 and delivery is scheduled for 2024 under the turnkey lease signed with the Cartier Foundation.
- The Biome office complex on avenue Emile Zola (approximately 24,000 sq.m.). Redevelopment work continued at a brisk pace in 2020 and the building will be delivered in mid-2022.
- The office building at 83 avenue Marceau (approximately 9,000 sq.m.), which is in the process of being redeveloped, with delivery scheduled for the third quarter of 2021. This property has already been fully pre-let.

In December, SFL agreed to sell the 112 Wagram property for a net price of €120.5 million. Contracts were exchanged in early January 2021.

No properties were purchased during 2020.

In 2020, leases were signed on approximately 17,000 sq.m., including 6,000 sq.m. of retail space corresponding for the most part to the theatre in the Edouard VII complex, and 10,000 sq.m. of office space, including the 7,500 sq.m. of pre-let space in the 83 Marceau building.

Financing

In May 2020, SFL issued €500 million worth of 1.50% seven-year bonds due on 5 June 2027.

In addition, a new five-year €150 million revolving line of credit was obtained from BNP Paribas. This new facility cancelled and replaced a previous €150 million revolving line of credit that was reduced to €100 million in 2019 and was due to expire in May 2021.

In September 2020, an offer was launched to buy back two bond issues due in November 2021 and November 2022 respectively. At the close of the offer period, on 8 September 2020, bonds with an aggregate face value of €160.7 million had been tendered to the offer, including €100.3 million worth of bonds due in 2021 and €60.4 million due in 2022.

These transactions, which were part of the Company's active debt management strategy, allowed SFL to optimise future average borrowing costs while also improving its balance sheet.

Impacts of the Covid-19 health crisis

From the onset of the crisis, SFL took all necessary measures to limit the pandemic's effects on its business and results.

The Company acted swiftly to ensure that all of its properties could remain open and available for use by tenants. The only services no longer available are those that would breach current health measures (mainly mass catering services).

SFL's rental income was largely unaffected by government measures concerning small retail outlets because of its strategic focus on prime office properties in Paris. Calls for help received from retail tenants were analysed on a case-by-case basis and the Company endeavoured to support them as far as possible during this difficult period, for example by allowing them to defer payment of their second-quarter rent. In some cases, rent waivers or holidays were granted, with a €2,458 thousand impact on rental income for the year.

Lastly, income from the conference centres and the Indigo hotel, which were closed during the successive lockdowns, as well as the public car park located in the Edouard VII complex, fell by €2,407 thousand compared with 2019.

Work on the Company's redevelopment and renovation projects was halted for several weeks. Agreements were signed with the general contractors responsible for the main projects, in order to manage the delivery delays – estimated at several months – and the cost overruns caused by these disruptions and the deployment of health measures required before work could resume.

The rental market slowed as a result of the crisis without coming to a complete halt; however, SFL was largely unaffected because it had few vacant units immediately available for rental and was able to sign several leases on significant units during the period.

The assumptions used by the Company's valuers to estimate the portfolio's appraisal value at 31 December 2020 were adjusted to take account of the economic environment. Despite these adjustments, the valuers' report includes a material valuation uncertainty declaration concerning the Indigo hotel in the Edouard VII complex. None of the Company's other assets were concerned by this declaration, which was issued in line with an RICS practice alert.

B – Subsequent events

On 13 January 2021, contracts were exchanged on the 112 Wagram building, which was sold at the originally agreed price.

On 14 January 2021, SFL agreed to sell the 9 Percier property for a net price of €143.5 million, with contracts expected to be exchanged before the end of February 2021.

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. 2019	Additions	Disposals	Reclassifications	31 Dec. 2020
Software	6,705	–	9	684	7,380
Other	–	–	–	–	–
Intangible assets in progress	1,181	852	–	(684)	1,349
Prepayments to suppliers of intangible assets	–	–	–	–	–
Total	**7,886**	**852**	9	–	**8,729**

Software includes both software licences and internally-developed software.

Amortisation and impairment of intangible assets	31 Dec. 2019	Amortisation and impairment for the year	Amortisation and impairment written off on disposals and other	31 Dec. 2020
Software	6,636	95	9	6,722
Intangible assets in progress	786	–	–	786
Total	**7,422**	**95**	9	**7,508**

A - 1.2) Property and equipment

Property and equipment at cost	31 Dec. 2019	Additions	Disposals	Reclassifications	31 Dec. 2020
Land	710,136	–	–	–	710,136
Buildings	438,932	–	184	315	439,063
Fixtures and fittings	453,682	–	3,811	7,569	457,440
Furniture and equipment	5,228	–	–	90	5,318
Assets under construction	300,082	80,707	–	(7,974)	372,815
Prepayments to suppliers of property and equipment	8,233	26,832	8,233	–	26,832
Total	**1,916,293**	**107,539**	**12,228**	–	**2,011,604**

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. 2019	Depreciation for the year	Depreciation written off on disposals and other	Reclassifications	31 Dec. 2020
Buildings	61,710	7,576	184	–	69,102
Fixtures and fittings	216,482	25,955	3,812	–	238,625
Furniture and equipment	3,292	390	–	–	3,682
Total	**281,484**	**33,921**	**3,996**	–	**311,409**

Impairment losses concern the following properties:

Impairment by building	31 Dec. 2019	Increases	Depreciation written off on disposals	31 Dec. 2020
Le Vaisseau	–	1,865	–	1,865
Total	–	**1,865**	–	**1,865**

Impairment losses recorded on buildings are adjusted at half-yearly intervals to take into account changes in the properties' appraisal values excluding transfer costs.

The table below shows the fair value measurement inputs for each asset class:

Geographic area	Value excluding transfer costs at 31 December 2020 (in millions of euros, on a 100% basis)	Inputs	Range of values[1]	Weighted average[1]
Paris Central Business District	3,626	Market rents Exit yield Discount rate	€630 - €940 2.75% - 3.10% 3.70% - 4.20%	€803 2.82% 3.94%
Other Paris	501	Market rents Exit yield Discount rate	€548 - €548 3.50% - 3.50% 4.60% - 4.60%	€548 3.50% 4.60%
Western Crescent	115	Market rents Exit yield Discount rate	€320 - €320 5.00% - 5.00% 6.10% - 6.10%	€320 5.00% 6.10%
Total	**4,242**			

(1) For work and excluding 112 Wagram

A - 1.3) Non-current financial assets

Non-current financial assets at cost	31 Dec. 2019	Additions	Disposals	31 Dec. 2020
Shares in subsidiaries and affiliates	393,955	–	–	393,955
Advances to subsidiaries and affiliates	35,317	35,520	35,317	35,520
Loans	–	–	–	–
Deposits	420	2	–	422
Total	**429,692**	**35,522**	**35,317**	**429,897**

Impairment	31 Dec. 2019	Increases	Disposals	31 Dec. 2020
Shares in subsidiaries and affiliates	–	2,450	–	2,450
Total	–	**2,450**	–	**2,450**

Impairment losses in the amount of €2,450 thousand concern SAS Maud, which is 100%-owned by the Company.

LIST OF SUBSIDIARIES AND AFFILIATES

Company	Share capital	Reserves and retained earnings before profit appropriation	% interest	Carrying amount of investment		Outstanding loans and advances granted by SFL	Outstanding guarantees	Last published net revenue	Last published profit	Dividends received 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	118,928	100%	291,847	291,847	–	–	19,794	15,014	–	–
SCI 103 Grenelle	0.15	5,364	100%	1,169	1,169	158,102	–	5,676	1,068	–	–
SCI Washington	94,872	23,342	66%	79,789	79,789	96,815	–	25,778	16,770	–	–
SAS Maud	1,480	(2,666)	100%	2,450	–	1,440	–	1,091	(2,335)	–	–
2. Affiliates (10-50%-owned)											
SAS Parholding	15,000	16,997	50%	18,400	18,400	2,316	–	–	14,134	5,756	–
B - Aggregate information about investments not listed in A above:											
Subsidiaries (at least 50%-owned)	–	–	–	300	300	187,949	–	–	10,147	679	–
Affiliates (less than 50%-owned)	–	–	–	–	–	–	–	–	–	–	–

A - 2) Receivables

Analysis by maturity at 31 December 2020	Total	*o/w accrued income*	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years
Prepayments to suppliers	29	–	29	–	–
Trade receivables	3,479	*709*	2,229	1,250	–
Other					
• Employee advances	1	–	1	–	–
• Prepaid and recoverable taxes	8,094	–	8,094	–	–
• Current account advances	448,530	*40*	40	–	448,490
• Miscellaneous receivables	318	–	318	–	–
Prepaid expenses	170	–	170	–	–

"Current account advances" include dividends receivable from subsidiaries.

Impairment	31 Dec. 2019	Increases*	Amortisation and impairment written off on disposals and other	31 Dec. 2020
Rental receivables	530	351	418	463
Total	**530**	**351**	**418**	**463**

A - 3) Current financial assets

Marketable securities consist exclusively of treasury shares.

The carrying amount of treasury shares held by SFL at 31 December 2020 was €10,780 thousand.

Treasury shares	31 Dec. 2019	Additions[1]	Disposals	31 Dec. 2020
Number of shares	222,187	91,579	137,948	175,818
Average purchase/sale price	€57.17	€71.84	€61.63	€61.32
Total	**12,703**	**6,579**	**8,502**	**10,780**

(1) Including 66,364 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]						
2018 performance share plan	63,648	4,004	n.a.	4,004	–	–
2019 performance share plan	32,608	2,100	n.a.	2,100	–	–
2020 performance share plan	34,348	2,679	n.a.	2,679	–	–
Sub-total	**130,604**	**8,783**	–	**8,783**	–	–
Available treasury shares						
Shares held for future stock-for-stock acquisitions	21,556	1,268	–	1,268	1,373	105
Shares held for external growth transactions	23,283	705	–	705	1,483	778
Shares held under the liquidity contract	375	24	–	24	24	–
Sub-total	**45,214**	**1,997**	–	**1,997**	–	–
Total	**175,818**	**10,780**	–	**10,780**	–	–

(1) Treasury shares allocated to performance share plans concern SFL Group companies and are carried at cost.

Treasury shares not allocated to a specific purpose, valued at the average December 2020 share price of €63.71 (vs €72.51 in December 2019), amounted to €2,880 thousand.

No impairment losses were recorded on treasury shares at 31 December 2020.

Performance share plans

Performance share plans for Company employees are as follows:

Details of the performance share plans		Plan no. 5	
Date of General Meeting	20 Apr. 2018	20 Apr. 2018	20 Apr. 2018
Grant date	20 Apr. 2018	15 Feb. 2019	6 Feb. 2020
End of vesting period	31 Dec. 2020	31 Dec. 2021	31 Dec. 2022
Initial expected vesting rate	100.00%	100.00%	100.00%
Target number of shares	32,280	31,664	33,164
Value per share(1)	€58.00	€64.40	€78.00

(1) SFL share price on the grant date.

Number of performance share rights expected to vest		Plan no. 5	
Number of shares expected to vest at beginning of the year	30,640	31,452	–
Performance share rights granted during the year	30,576	–	33,164
Performance share rights cancelled during the year (departures/vesting conditions not met)	(192)	(128)	(128)
Expected vesting rate at 31 December 2020	200.00%	100.00%	100.00%
Number of shares expected to vest at the year-end	**61,024**	**31,324**	**33,036**

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.

A - 4) Deferred charges

Debt issuance costs	Amortisation period	Total	Accumulated amortisation at 31 Dec. 2019	Amortisation for the year	Accumulated amortisation at 31 Dec. 2020	Net
2014 bonds	7 years	2,465	1,993	311	2,304	161
2015 bonds	7 years	2,407	1,715	319	2,034	373
2018 bonds	7 years	1,946	440	278	718	1,228
2020 bonds	7 years	2,277	–	190	190	2,087
2016 BNP Paribas loan	5 years	772	626	146	772	–
2017 Crédit Agricole loan	6 years	320	136	53	189	131
2017 Crédit Agricole loan, addendum 1	5.5 years	230	84	42	127	104
2017 Banque Postale loan	7 years	263	94	38	131	132
2018 BECM loan	5 years	525	149	105	254	271
2018 Société Générale loan	7 years	450	80	65	145	305
2019 BNP Paribas loan	5 years	1,478	147	296	443	1,035
2020 BNP Paribas loan	7 years	620	–	72	72	548
Total		**13,753**	**5,464**	**1,915**	**7,380**	**6,374**

Loan arranging fees are amortised on a straight-line basis over the life of the loan and the deferred balance is adjusted in the event of any partial early repayment.

A - 5) Redemption premiums

Redemption premiums	Amortisation period	Total	Amortisation for the year	Accumulated amortisation	Net
2014 bonds	7 years	615	78	575	40
2015 bonds	7 years	735	97	621	114
2018 bonds	7 years	4,005	572	1,478	2,527
2020 bonds	7 years	2,105	175	175	1,930
Total		**7,460**	**922**	**2,849**	**4,611**

Redemption premiums are amortised on a straight-line basis over the life of the bonds and the deferred balance is adjusted in the event of any partial early repayment.

A - 6) Equity

A - 6.1) Changes in equity

A. Equity at 31 December 2019 before appropriation of profit for the year	**830,950**
B. Appropriations decided at the Annual General Meeting	
Transfer to the legal reserve	–
C. Dividend paid during the year	
2019 dividend decided by the Annual General Meeting of 3 April 2020	(122,828)
D. Other movements for the year	
Change in untaxed provisions	1,777
Profit for the year	42,992
E. Equity at 31 December 2020	**752,891**
F. Change in equity during the year	**(78,059)**

At 31 December 2020, 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 46,353,156.

Société Foncière Lyonnaise is a subsidiary of Spanish company Inmobiliaria Colonial SA, which owned 81.71% of the capital at 31 December 2020.

Untaxed provisions correspond exclusively to accelerated capital allowances, representing excess tax depreciation calculated on the residual value of certain properties.

Untaxed provisions	31 Dec. 2019	Increases	Decreases	31 Dec. 2020
Excess tax depreciation	22,676	1,777	–	24,453

A - 6.2) Dividends

(in thousands of euros)	31 Dec. 2020		31 Dec. 2019	
	Paid	Per share	Paid	Per share
Prior year dividend paid in current year	122,828	€2.65	122,711	€2.65
Total	**122,828**	**€2.65**	**122,711**	**€2.65**

A - 6.3) Provisions for contingencies and charges

(in thousands of euros)	31 Dec. 2019	Increases	Decreases	31 Dec. 2020
Provisions for property-related contingencies and tenant claims	475	–	199	276
Provisions for employee benefits				
Cost of performance share awards	3,938	4,047	2,529	5,456
Specific employer contribution	1,001	699	621	1,079
Total	**5,414**	**4,746**	**3,349**	**6,811**

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 include performance share plan costs deferred over three years from the grant date. Delivery of shares awarded under the 2017 plan led to the reversal of €2,529 thousand from the provision (excluding the specific employer contribution).

A - 7) Liabilities

Liabilities by maturity at 31 December 2020	Total	*o/w accrued expenses*	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years
Bonds	1,549,357	*10,057*	259,757	789,600	500,000
Bank borrowings	4,362	*9*	*4,362*	–	–
Other borrowings and financial liabilities					
. Tenant deposits	16,146	–	1,534	7,765	6,847
. Negotiable European commercial paper (NEU CP)	165,000	–	165,000	–	–
. Current account advances	55,584	89	89	–	55,495
Prepaid property rentals	10,366	–	10,366	–	–
Trade payables	11,028	*9,954*	11,028	–	–
Accrued payroll costs	5,678	*5,127*	5,678	–	–
Accrued taxes	5,313	–	5,313	–	–
Due to suppliers of property	24,164	*14,604*	24,164	–	–
Other liabilities	4,176	*1,454*	4,176	–	–
Deferred income	344	–	78	234	32
Total	**1,851,518**	***41,294***	**491,545**	**797,599**	**562,373**

Prepaid property rentals correspond to rent and property expenses for the first quarter of 2021 payable in advance.

The amounts reported under "Due to suppliers of property" correspond mainly to invoices for redevelopment work on the Louvre Saint-Honoré, Biome and 83 Marceau buildings.

Accrued payroll costs include discretionary profit-sharing and bonus accruals.

Accrued taxes include the final annual exit tax instalment due on the Biome building, for €5,285 thousand.

Changes in long- and short-term debt	31 Dec. 2020	31 Dec. 2019	Year-on-year change
2014 bonds	250,162	350,647	(100,485)
2015 bonds	290,421	350,992	(60,571)
2018 bonds	504,459	504,459	–
2020 bonds	504,315	–	504,315
Bank overdrafts	4,362	–	4,362
Negotiable European commercial paper (NEU CP)	165,000	386,500	(221,500)
Total	**1,718,719**	**1,592,598**	**126,121**

B - Notes to the Profit and Loss Account

B - 1) Net revenue

(in thousands of euros)	2020	2019
Property rentals	97,794	101,382
Property and facility management fees	1,845	4,910
Sub-total	**99,639**	**106,292**
Payments received for seconded employees	1,726	1,694
Other service revenue	143	143
Sub-total	**1,869**	**1,837**
Total	**101,508**	**108,129**

The Company reported revenue of €101.5 million in 2020 compared with €108.1 million in 2019, representing a decrease of €6.6 million (down 6.1%). This was mainly due to the significant decline in activity at the #cloud.paris Business Centre, which remained closed during the successive lockdowns, the rent holidays granted to some tenants experiencing difficulties due to the Covid-19 crisis, and the departure in early 2020 of a tenant that had leased some 3,000 sq.m. in the Edouard VII complex.

B - 2) Reversals of provisions and impairment losses, and expense transfers

(in thousands of euros)	2020	2019
Reversals of provisions for doubtful receivables	418	57
Reversals of provisions for contingencies and charges	3,349	2,910
Sub-total	**3,767**	**2,967**
Costs and taxes recovered from tenants	18,258	18,398
Other expense transfers	8,339	5,796
Sub-total	**26,597**	**24,194**
Total	**30,364**	**27,161**

B - 3) Other purchases and external charges

(in thousands of euros)	2020	2019
Reinvoiced costs	10,613	11,138
Other purchased services and expenses	17,823	16,691
Total	**28,436**	**27,829**

B - 4) Taxes other than on income

(in thousands of euros)	2020	2019
Recoverable taxes	7,582	7,422
Other taxes	3,825	5,284
Total	**11,407**	**12,706**

B - 5) Payroll costs

(in thousands of euros)	Administrative staff	Building staff	2020 total	2019 total
Wages and salaries				
Wages and salaries	12,313	66	12,379	10,829
Sub-total	**12,313**	**66**	**12,379**	**10,829**
Payroll taxes and other employee benefits expenses				
Social security taxes and disability/health insurance premiums	3,400	25	3,425	3,025
Other employee benefits expenses	535	5	540	548
Sub-total	**3,935**	**30**	**3,965**	**3,573**
Total	**16,248**	**96**	**16,344**	**14,402**

The remuneration awarded to senior management (including bonuses, benefits in kind, corporate savings plan rights, termination benefits, etc.) amounted to €3,346 thousand in 2020.

Directors' fees for the year awarded to the members of the Board of Directors represented a total of €693 thousand in 2020.

B - 6) Number of employees

(number)	2020	2019
Building caretakers	2	2
Administrative staff	1	1
Supervisors	6	6
Managers	53	53
Total	**62**	**62**

B - 7) Net financial expense

(in thousands of euros)	2020	2019
Dividends from SAS Parholding	5,756	3,394
Dividends from SA Segpim	679	580
Revenue from SCI Paul Cézanne	15,014	14,865
Revenue from SNC Condorcet Holding	8,372	2,065
Revenue from SCI Washington	11,068	9,792
Revenue from SCI 103 Grenelle	1,067	8,595
Sub-total	**41,956**	**39,291**
Interest income from current account advances to subsidiaries	516	671
Other financial income	12	34
Sub-total	**528**	**705**
Capitalised interest expense[(a)]	5,477	4,881
Reversals of provisions on financial instruments	–	474
Reversals of impairment of current financial assets	–	–
Sub-total	**5,477**	**5,355**
Financial income	**47,961**	**45,351**
Change in provisions for bond redemption premiums	923	707
Impairment of treasury shares	–	–
Impairment of shares in subsidiaries and affiliates	2,450	–
Sub-total	**3,373**	**707**
Interest expense on bonds and bank loans	25,413	22,197
Interest expense on current account advances from subsidiaries	151	193
Interest expense on bank overdrafts	13	1
Interest on negotiable European commercial paper (NEU CP)	(775)	(890)
Bank loan arranging fees	3,671	3,594
Expenses on financial instruments	274	1,624
Other financial expenses[(b)]	5,924	–
Sub-total	**34,671**	**26,720**
Financial expenses	**38,044**	**27,427**

(a) Capitalised interest expense corresponds to interest capitalised during the redevelopment of the Louvre Saint-Honoré, Biome and 83 Marceau buildings.
(b) Other financial expenses mainly correspond to balancing payments made on retirement of bond issues.

B - 8) Non-recurring items

(in thousands of euros)	2020	2019
Capital gains and losses on sales of property assets, net	–	(3)
Capital gains and losses on sales of securities, net[1]	(1,828)	(2,183)
Impairment losses and regulated provisions on property assets	(1,777)	(1,736)
Non-recurring income and expenses, net	106	276
Total	**(3,499)**	**(3,646)**

(1) The net loss on sales of treasury shares is analysed in Note A-6.3).

B - 9) Income tax expense

(in thousands of euros)	2020	2019
Corporate income tax expense	(361)	(45)
Total	**(361)**	**(45)**

C - Related party transactions

Related party transactions (other than transactions with subsidiaries) are routine transactions carried out on arm's length terms. Transactions not fulfilling this criterion are not material.

The Company has no off-balance sheet commitments with related parties.

D - Off-balance sheet commitments

Guarantees and other commitments

(in thousands of euros)	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	81,830	–	71,261	10,568
Guarantees received from suppliers	35,035	909	34,125	–
Undrawn confirmed lines of credit				
BNP Paribas 2019 line of credit	390,000	–	390,000	–
BECM line of credit	150,000	–	150,000	–
BNP Paribas 2020 line of credit	150,000	–	150,000	–
La Banque Postale line of credit	75,000	–	75,000	–
CADIF line of credit	175,000	–	175,000	–
Société Générale line of credit	100,000	–	100,000	–

Hedging portfolio

At 31 December 2020, derivatives held by the Company included:

– A 5-year forward swap with CA-CIB (variable rate swapped for a fixed rate of -0.3474%, effective 26 November 2021) on a notional amount of €100,000 thousand.

– 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.

– 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 came into effect on 4 September 2019.

– A 7-year collar set up with CIC (the option writer) on a notional amount of €100,000 thousand, with a -0.25% cap and a -0.52% floor. No premium is due on the collar which comes into effect on 16 November 2022.

Interest rate hedges (in thousands of euros)	Notional amount	Maturity	Value at 31 December 2020
CA-CIB 0.23% swap	100,000	June 2020[1]	–
CA-CIB 0.3475% swap	100,000	Nov. 2026	(457)
CIC -0.4525% swap	100,000	Nov. 2026	76
Société Générale 0%/-0.7525% collar	100,000	Sep. 2026	46
CIC -0.25%/-0.52% collar	100,000	Nov. 2027	165
Total			**(170)**

(1) Date on which the instrument was unwound.

Contractual redevelopment and renovation obligations

At 31 December 2020, the Company's contractual commitments relating to investment property undergoing renovation totalled €112,218 thousand (€44,093 thousand at 31 December 2019), of which €97,852 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 €1,054 thousand at 31 December 2020.

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 0.29% and a 1.00% 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.

F - Consolidation

Société Foncière Lyonnaise is included in the consolidated financial statements of Inmobiliaria Colonial SA, a company governed by Spanish law and listed on the Madrid stock exchange (ISIN: ES0139140018)

Statutory Auditors' Reports for the Year Ended 31 December 2020

Statutory Auditors' report on the consolidated financial statements

Year ended 31 December 2020

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 2020.

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 2020 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 set out in the French Commercial Code (*Code de commerce*) and the French Code of Ethics (*Code de déontologie*) for Statutory Auditors, for the period from 1 January 2020 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.

During the year, we provided the following non-audit services not mentioned in the Management Report or the notes to the consolidated financial statements to the Company and the entities it controls: issuance of a comfort letter in connection with a bond issue, review of the XBRL pre-mapping and issuance of a certificate concerning the number of free shares to be awarded under a performance share plan.

Justification of assessments – Key audit matters

Due to the global crisis related to the Covid-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organisation and the performance of the audits.

It is in this complex and evolving context that, in accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code 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 the most significant 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), II-3) and IV-4) 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 at 31 December 2020 is €7,081,176 thousand, representing an increase over the year of €176,526 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 used in the appraisal process – relating to exit yields, discount rates, market rental values, estimated future repair and renovation costs, and any rent step-ups and rent-free periods – as well as the sensitivity of fair values to changes in these assumptions, the measurement of investment property is considered to be a key audit matter.	We updated our understanding of the following processes: - 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 and obtained copies of their engagement letters. 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 inputs (exit yield, discount rate, market rental values) used with available market data and, where available, information about recent rental transactions carried out by the Company. Based on a sample that we selected, we reconciled and assessed the consistency of the information provided by the Company to the independent valuers and used by them for their appraisals, with appropriate documentation such as leases, future repair and renovation cost estimates and any rent step-ups and rent-free periods. Accompanied by our own property experts, we met with the independent valuers and the Company's management to rationalise the overall portfolio appraisal. Our own property experts also performed more detailed work on the appraisal values of a sample of assets. 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 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.

Other verifications or information required by legal and regulatory provisions

Reporting format of the consolidated financial statements prepared for inclusion in the annual financial report

As allowed by Article 222-3 III of the AMF's General Regulations, the Company's management has informed us of its decision to postpone using the single electronic reporting format defined in Commission Delegated Regulation 2019/815 dated 17 December 2018 until the financial years beginning on and after 1 January 2021. Consequently, this report does not include any conclusion concerning the compliance with this format of the consolidated financial statements prepared for inclusion in the annual financial report referred to in Article L.451-1-2, paragraph I, of the French Monetary and Financial Code *(Code monétaire et financier)*.

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 2020, PricewaterhouseCoopers Audit and Deloitte & Associés were in the 26th and 16th 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, 25 February 2021
The Statutory Auditors

PricewaterhouseCoopers Audit
Lionel Lepetit

Deloitte & Associés
Laure Silvestre-Siaz

Statutory Auditors’ report on the Company financial statements

Year ended 31 December 2020

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 2020.

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 2020 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 set out in the French Commercial Code (*Code de commerce*) and the French Code of Ethics (*Code de déontologie*) for Statutory Auditors, for the period from 1 January 2020 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.

During the year, we provided the following non-audit services not mentioned in the Management Report or the notes to the financial statements to the Company and the entities it controls: issuance of a comfort letter in connection with a bond issue, review of the XBRL pre-mapping and issuance of a certificate concerning the number of free shares to be awarded under a performance share plan.

Justification of assessments – Key audit matters

Due to the global crisis related to the Covid-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies’ internal organisation and the performance of the audits.

It is in this complex and evolving context that, in accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code 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 the most significant 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 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
Notes I-b) and II-A) 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 at 31 December 2020 for an amount of €1,698,330 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 the property portfolio 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 – relating to exit yields and discount rates, market rental values, estimated future repair and renovation costs, and any rent step-ups and rent-free periods – the measurement of property assets and assessing the related impairment risk are considered to be a key audit matter.	We updated our understanding of the following processes: – 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 and obtained copies of their engagement letters. 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 inputs (exit yield, discount rate, market rental values) used with available market data and, where available, information about recent rental transactions carried out by the Company. Based on a sample that we selected, we reconciled and assessed the consistency of the information provided by the Company to the independent valuers and used by them for their appraisals, with appropriate documentation such as leases, future repair and renovation cost estimates and any rent step-ups and rent-free periods. Accompanied by our own property experts, we met with the independent valuers and the Company's management to rationalise the overall portfolio appraisal. Our own property experts also performed more detailed work on the appraisal values of a sample of assets. 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.

Notes I-c), II-A) and III-A 1.3) 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 €391,505 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 accounts.

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.

Report on corporate governance

We attest that the Board of Directors' report on corporate governance sets out the information required by Articles L.225-37-4, L.22-10-10 and L.22-10-9 of the French Commercial Code.

Concerning the information given in accordance with the requirements of Article L.22-10-9 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.22-10-11 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.

Other verifications or information required by legal and regulatory provisions

Reporting format of the Company financial statements prepared for inclusion in the annual financial report

As allowed by Article 222-3 III of the AMF's General Regulations, the Company's management has informed us of its decision to postpone using the single electronic reporting format defined in Commission Delegated Regulation 2019/815 dated 17 December 2018 until the financial years beginning on and after 1 January 2021. Consequently, this report does not include any conclusion concerning the compliance with this format of the Company financial statements prepared for inclusion in the annual financial report referred to in Article L.451-1-2, paragraph I, of the French Monetary and Financial Code *(Code monétaire et financier).*

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 2020, PricewaterhouseCoopers Audit and Deloitte & Associés were in the 26th and 16th 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 Company 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 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 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 Company's 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, 25 February 2021
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 2020

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

To the Shareholders,

In our capacity as Statutory Auditors of Société Foncière Lyonnaise, we hereby present our report on regulated 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 2020 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 2020

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 2020

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 2020.

Agreement with Prédica

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: Najat Aasqui and Jean-Jacques Duchamp.

Nature and purpose of the agreement: partnership agreement with Parholding of 26 December 2012.

This partnership agreement signed with Prédica 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 Najat Aasqui and Jean-Jacques Duchamp are directors, and that the Crédit Agricole Group, of which Prédica is a subsidiary, holds over 10% of the voting rights in the Company, the partnership agreement with Prédica 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, 25 February 2021
The Statutory Auditors

PricewaterhouseCoopers Audit	Deloitte & Associés
Lionel Lepetit	Laure Silvestre-Siaz

Additional Information

1. Persons responsible for the Universal Registration Document and the audit of the financial statements

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 the information contained in this 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, 15 March 2021

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

Website

www.fonciere-lyonnaise.com

Legal form

Société anonyme (public limited company) governed by the French Commercial Code

Governing Law

French law

Date of incorporation and term

– Incorporated on: 9 October 1879
– Term: 8 October 2064

Corporate purpose (Article 3 of the Articles of Association)

The Company's purpose is to:
– Acquire, by way of purchase or absorption or under a 99-year lease or a shorter lease, any and all real property located in France, the French overseas territories or abroad, and to extend any such properties; conduct any industrial, rental or management activities and generally enhance the value of the properties.
– Sell or exchange such properties, for cash or for shares.
– Manage properties on behalf of third parties.
– Participate by any method in any and all existing or future companies or business ventures related to the corporate purpose, including by means of the formation of new companies, the sale of assets in exchange for shares, membership of a general partnership, subscription or purchase of shares or other rights.
– Conduct any and all transactions related directly or indirectly to the corporate purpose or which are likely to facilitate the fulfilment of said purpose.

Registration particulars

Paris Companies Registry: 552 040 982 – NAF Code: 6820 B

LEI (Legal Entity Identifier)

969500B0S40FTUVKD182

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 35 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 non-beneficial 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 32 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 32 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 at 31 December 2020

As of 31 December 2020, 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 31 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 page 37 of the Management Report for a description of the shareholders' pacts in force in relation to the Company.

3.5. Corporate governance

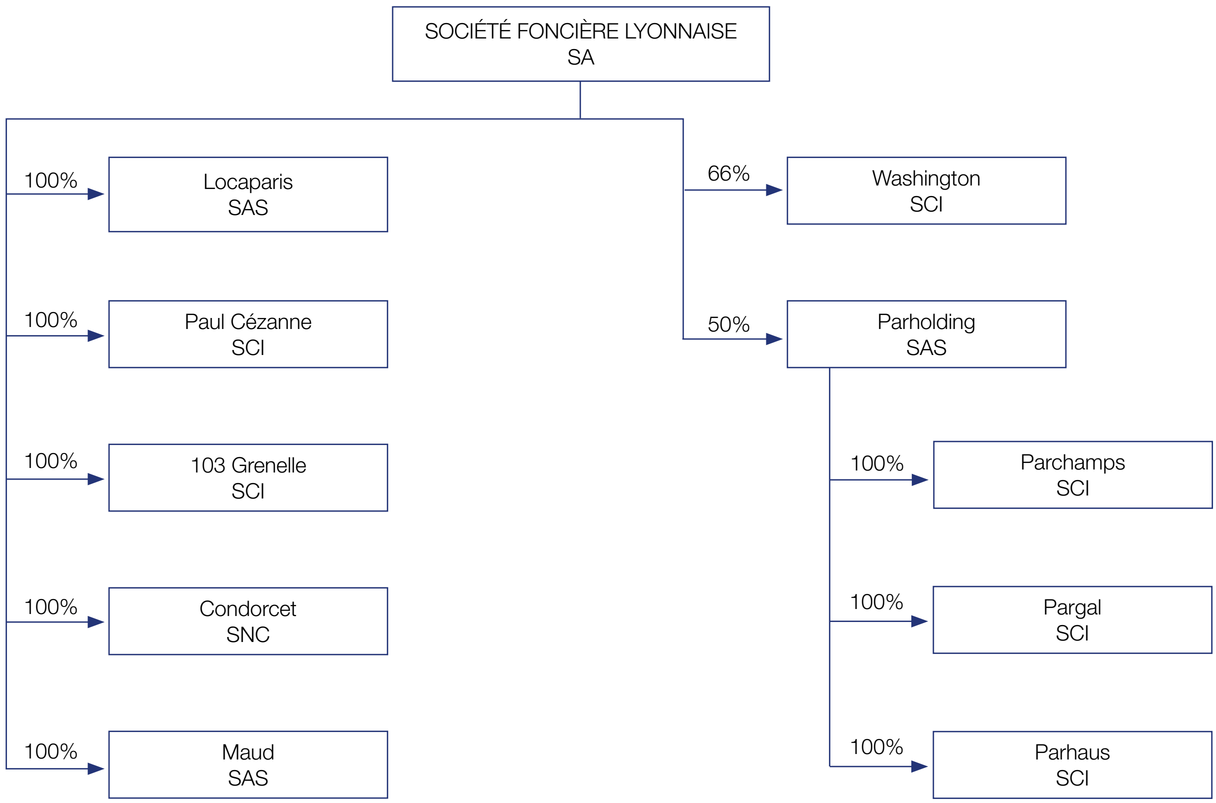
In application of Article 20 of the Articles of Association, the functions of Chairman and Chief Executive Officer were separated on 27 January 2015.

The Board of Directors' corporate governance report is presented on pages 85 *et seq.* of this document.

The Company's Articles of Association can be found on the website (in French only): https://www.fonciere-lyonnaise.com/en/company/legal-information/

4. Additional information about the Group's operations and organisational structure

4.1. Organisation chart



Five 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 Prédica.

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 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 2020 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 2020 rent-rolls, rents on certain units were above or below observed market rents for the second half of 2020 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.

Each of the two firms provided an individual appraisal value and is not responsible for the valuations performed by other firms.

On the above basis, the appraisal value of the portfolio at 31 December 2020 was:
– €6,634,686,174 excluding transfer costs and €7,061,533,601 including transfer costs for the Group's share;
– €7,457,514,674 excluding transfer costs and €7,946,026,211 including transfer costs on a 100% basis.

Due to the Covid-19 crisis, the valuers' report includes a material valuation uncertainty declaration concerning the Indigo hotel in the Edouard VII complex in accordance with RICS Valuation – Global Standards CPS3 and VGA 10. None of the Company's other assets were concerned by this declaration.

Anne DIGARD -FRICS-VR-REV
Président -CEO
CBRE Valuation & Advisory

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 2020 Universal Registration Document

The cross-reference table below has been prepared for the convenience of readers of this Universal Registration Document, to help them find the main information required by Annex 1 of Commission Delegated Regulation (EU) 2019/980 supplementing Regulation (EU) 2017/1129.

Annex 1 of Commission Delegated Regulation (EU) 2019/980 of 14 March 2019

Annex 1 of Commission Delegated Regulation (EU) 2019/980 of 14 March 2019		
Information	**Annual Report**	**Universal Registration Document**
5. Business overview		
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Annex 1 of Commission Delegated Regulation (EU) 2019/980 of 14 March 2019		
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Table of the main items of the Annual Financial Report

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Historical financial information

Financial statements and Statutory Auditors' reports for 2020: 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 2018, prepared in accordance with IFRS, and the related Statutory 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.

– The consolidated financial statements for the year ended 31 December 2019, prepared in accordance with IFRS, and the related Statutory Auditors' reports, as presented on pages 142 to 171 and 192 to 194 of the 2019 Universal Registration Document (Financial and Legal Report) filed with the AMF on 13 March 2020 under No. D.20-0124.

SOCIETE FONCIERE LYONNAISE

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