2021

Universal Registration Document

SOCIETE FONCIERE LYONNAISE

UNIVERSAL REGISTRATION DOCUMENT

SOCIETE FONCIERE LYONNAISE

AUTORITÉ
DES MARCHÉS FINANCIERS

AMF

This Universal Registration Document was filed on 14 March 2022 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 2021 Management Report

The financial statements were approved for publication by the Board of Directors on 18 February 2022.

Annual General Meeting of 7 April 2022
Management Report for the Year Ended 31 December 2021

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 2021 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

After four very lacklustre months at the beginning of 2021, the Paris commercial property rental market recovered strongly, ending the year with volumes up 32% on 2020. Against this backdrop, SFL performed exceptionally well, signing leases on 57,000 sq.m. representing total annual rental income of approximately €47 million. The main new leases concerned the following properties:

– Washington Plaza, with leases signed on approximately 16,000 sq.m., notably with two existing tenants, Finastra and TP ICAP, and new companies such as Advancy, Prologis, Havea Group and Puig.
– #cloud.paris, where the lease with an existing tenant was rolled over and extended to cover a total of 13,700 sq.m.
– Cézanne Saint-Honoré, which was 90% pre-let during the year, with three companies – listed investment company Wendel Investissement, the Lacourte Raquin Tatar law firm, and the Lincoln International investment bank – taking up a total of 8,600 sq.m. to be delivered in 2022.
– Edouard VII, with 9,000 sq.m. let during the year, mainly under three leases.
– 103 Grenelle, with four leases signed on a total of 4,500 sq.m.
– 92 Champs-Elysées, with a lease on 900 sq.m. of retail space signed with the Paris Saint-Germain football club.

The average nominal rent on these leases stands at €768 per sq.m., corresponding to an effective rent of €652 per sq.m, for an average non-cancellable term of 7.2 years. These lease terms attest to the very high quality of the Group's properties.

The revenue-generating properties are virtually fully let, with the physical occupancy rate standing at 98.0% as of 31 December 2021 compared to 93.7% at the previous year-end. The EPRA vacancy rate was 1.7%, versus 6.0% at 31 December 2020.

1.2. Development operations

Properties undergoing development at 31 December 2021 represented roughly 20% of the total portfolio. The three main projects concern:

– The Cézanne-Saint Honoré building, where one of the two buildings (approximately 10,000 sq.m.) is being renovated and a roof top terrace is being created. Delivery is scheduled for mid-2022 and the building is currently 90% pre-let.
– The Biome office complex on avenue Emile Zola (approximately 24,000 sq.m.). Redevelopment work continued at a brisk pace in 2021 and the complex is scheduled to be delivered in the third quarter of 2022.
– The retail space in the Louvre Saint-Honoré building (approximately 20,000 sq.m.). The space to be redeveloped has been cleared and work has begun. All of the 20,000 sq.m. have been pre-let to the Fondation Cartier and should be delivered by the end of 2023.

In addition, refurbishment work was carried out on various units that became vacant as tenants rotated, mainly in Washington Plaza and Édouard VII.

The 83 Marceau building was delivered as planned in the second half of 2021 and is fully let.

Capitalised work carried out in 2021 amounted to €150 million.

1.3. Portfolio operations

Disposal of the 112 Wagram and 9 Percier properties was completed in early 2021. The disposal processes were launched in 2020 under the Group's asset rotation policy. These properties were sold in January and February 2021 at a net sale price of €120.5 million and €143.5 million, respectively. The sale prices, which were already reflected in the two assets' fair value carrying amounts at 31 December 2020, represented a premium of around 17% on their appraisal value at 31 December 2019. The success of these two property disposals in a troubled market where investors are particularly demanding, is further evidence of the quality and liquidity of SFL's assets.

No properties were acquired in 2021.

1.4. Property portfolio value

The portfolio's appraisal value at 31 December 2021, on a consolidated basis and excluding transfer costs, was €7,606 million versus €7,458 million at end-2020. The year-on-year increase was 5.7% like-for-like; it was lower on a reported basis, at 2%, due to the sale of two properties during the year.

The appraisal values of properties under development are very satisfactory, reflecting the quality of the development work performed to date and the success of pre-marketing campaigns. Growth in the appraisal values of other revenue-generating assets was more subdued and the value of retail units continued to decline.

The average EPRA topped-up net initial yield (NIY) was 2.9% at 31 December 2021, unchanged from 31 December 2020.

2. Results

2.1. Consolidated financial results

2.1.1. Consolidated profit for the year

Rental income amounted to €174.6 million in 2021 versus €182.4 million the previous year, a decline of €7.8 million (4.3%).
– On a like-for-like basis (excluding all changes in the portfolio affecting period-on-period comparisons), rental income was €4.6 million higher, a 3.0% increase that was primarily attributable to the improved occupancy rate for revenue-generating units. The main contributors to the increase were the Washington Plaza, 106 Haussmann, Rives de Seine and Édouard VII properties.
– Rental income from units being redeveloped or renovated in the periods concerned was down by €6.3 million, due to the renovation of several floors vacated in late 2020, mainly in the Cézanne Saint-Honoré and Washington Plaza buildings. Conversely, the 83 Marceau building contributed to rental income for the first time, following its delivery in the second half of 2021 after two years of restructuring. This property is fully let.
– Finally, the early 2021 sale of the 112 Wagram and 9 Percier buildings led to a €6.1 million reduction in rental income.

Operating profit (before disposal gains and losses and fair value adjustments to investment property) amounted to €134.2 million in 2021 versus €152.6 million in 2020.

The portfolio's appraisal value at 31 December 2021 was 5.7% higher on a like-for-like basis than at 31 December 2020. The increase led to the recognition of positive fair value adjustments to investment property of €255.2 million in 2021 compared with positive adjustments of €176.5 million in 2020.

Net finance costs stood at €30.2 million in 2021 versus €34.3 million in 2020. Of the total €4.1 million decrease, €2.5 million concerned non-recurring costs and the other €1.6 million concerned recurring costs, reflecting the positive impact of the reduction in debt and its average cost.

After taking into account these core items, EPRA earnings stood at €92.4 million in 2021 compared with €100.8 million the previous year. EPRA earnings per share amounted to €2.05 in 2021 versus €2.17 the previous year, a controlled decrease of 5.2%.

Attributable profit for the year amounted to €292.0 million, versus €286.9 million in 2020.

2.1.2. Financing

During the year, a number of transactions were carried out as part of SFL's proactive balance sheet management strategy. The focus was on further improving the Group's financial liquidity, extending the average maturity of its debt and optimising its future average borrowing costs.
– The outstanding 2014 1.875% bonds, which matured in November 2021, were redeemed for €250 million.
– The Parholding sub-group entities' mortgage loans due in July 2022 were repaid in advance for a total of €196 million.
– €500 million was raised through a 6.5-year bond issue due 21 April 2028. The 0.50% interest rate on the bonds represents a record low for SFL.
– A new €100 million five-year revolving line of credit was obtained from Banca Intesa Sanpaolo (Paris branch).

Net debt at 31 December 2021 amounted to €1,792 million versus €1,890 million at the previous year-end. The loan-to-value ratio was a very conservative 22.0%, leaving significant headroom for future investments. The average cost of debt after hedging was 1.2% at 31 December 2021 and the average maturity was 4.6 years. The interest coverage ratio stood at 4.9x in 2021.

Lastly, at 31 December 2021, SFL had €1,140 million in undrawn lines of credit.

2.1.3. Net asset value

At 31 December 2021, EPRA Net Tangible Assets stood at €4,627 million and the EPRA Net Disposal Value was €4,375 million.

Over the year, EPRA NTA per share increased by 5.1% to €107.9 and EPRA NDV per share by 3.3% to €102.1, after distribution of a dividend of €2.10 per share in April 2021.

2.1.4. Transactions in SFL shares by Colonial – Changes in SFL's capital

In 2021, Colonial – SFL's majority shareholder – launched a two-step transaction:
– A public cash and paper offer for the SFL shares not already held by Colonial and Predica, with €46.66 in cash and 5 Colonial shares offered for each SFL share.
– Restructuring of the partnership between SFL and Predica, involving the buyout by SFL of Predica's interests in the Washington Plaza, 106 Haussmann, 90 Champs-Élysées and Galerie des Champs Élysées buildings, and the buyback and cancellation of 3.66 million SFL shares held by Predica, in exchange for Predica's acquisition of a 49% interest in the #cloud.paris, Cézanne Saint-Honoré, 92 Champs-Élysées and 103 Grenelle buildings. The remaining SFL shares held by Predica were exchanged for Colonial shares on the basis of 9.66 Colonial shares for one SFL share.

On 8 July 2021, SFL's Board of Directors recommended that shareholders support these transactions, which were finalised in August 2021.

They led to a reduction in the number of outstanding SFL shares from 46,528,974 to 42,864,715 and an increase in Colonial's interest in SFL's capital and voting rights to 98.33%.

The main impacts of the transaction on the consolidated financial statements are as follows:

– Equity attributable to owners of the parent: a decrease of €465 million, of which €355 million was due to the share cancellations and €109 million to changes in percentage interests.
– Equity – non-controlling interests: increase of €487 million, due to changes in percentage interests.
– Profit attributable to non-controlling interests: €55 million reduction in profit attributable to owners of the parent for 2021 (including a €3 million reduction in attributable EPRA earnings).

The transaction also had a negative 1.5% impact in absolute terms on the value of the portfolio excluding non-controlling interests, which contracted to €6,537 million (excluding transfer costs) at 31 December 2021 from €6,635 million at 31 December 2020.

2.1.5. Covid-19 crisis

During the year, SFL continued to apply the measures deployed in 2020 to limit the pandemic's effects on its business and results.

The rent collection rate was very satisfactory throughout the year (at between 96% and 98% in each of the quarters). Past-due rents were reviewed on a case-by-case basis to determine whether a provision was needed. Very few new support measures were granted to tenants during the year.

The rental market had slowed since the onset of the Covid-19 crisis, but it picked up in the second half of 2021 and leases were signed by SFL on several significant units.

The Covid-19 crisis had little impact on appraisal values at 31 December 2021. In particular, SFL's office properties proved to be resilient despite the Covid-19 crisis, with an overall like-for-like increase of 5.7% in their appraisal values during the year.

2.2. Company financial results

2.2.1. Parent company results and financial position

Parent company results for the year ended 31 December 2021 can be analysed as follows:

The Company reported revenue of €88.2 million in 2021 compared with €101.5 million in 2020. The year-on-year decrease of €13.3 million (13.5%) was mainly due to the sale of the 112 Wagram and 9 Percier properties in January and February 2021, and the transfer of two other properties to subsidiaries (SAS Cloud and 92 Champs-Élysées) in August 2021, as part of the change in the partnership between SFL and Predica.

Operating profit amounted to €27.7 million in 2021 versus €36.4 million the previous year, a decline of €8.7 million.

The Company reported net financial income of €12.1 million, up €2.2 million from €9.9 million in 2020. Of the total net increase, €8.4 million reflected balancing amounts received or paid on financial transactions (including €4.3 million paid in 2020 on bond buybacks), and €2.5 million concerned provisions for impairment of shares in subsidiaries booked in 2020. The increases were partly offset by lower dividend income from SCI Paul Cézanne and other subsidiaries.

After taking into account the above items, the Company reported a profit before tax and other income and expense of €39.8 million in 2021 compared to €46.3 million the previous year, a decrease of €6.5 million.

Other income and expenses represented net income of €1,059.1 million, mainly derived from transactions related to the change in the partnership between SFL and Predica, including the transfer of two properties to subsidiaries (SAS Cloud and 92 Champs-Élysées) and the disposal of equity interests.

As a result of these significant non-recurring gains, employee profit-sharing rose sharply to €5.9 million for 2021.

The Company ended the year with profit of €1,093.2 million versus €43.0 million in 2020.

At 31 December 2021, the Company had total assets of €3,397 million versus €2,611 million at end-2020. The 30% increase was primarily due to transactions related to the change in the partnership between SFL and Predica.

Five years' financial information for the parent company is provided in Appendix 14.3 to this Management Report, as required by Article R.225-102 of the French Commercial Code (page 90).

DISCLOSURES CONCERNING SUPPLIER AND CUSTOMER PAYMENT TERMS PROVIDED IN ACCORDANCE WITH ARTICLE D.441-6 OF THE FRENCH COMMERCIAL CODE

	Article D.441 I 1°of the French Commercial Code: Outstanding ***supplier*** invoices due as at 31 December 2021						Article D.441 I 2° of the French Commercial Code: Outstanding ***customer*** invoices due as at 31 December 2021					
	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	27	–	–	–	–	33	–	–	–	–	–	56
Total amount past due, including VAT	4,706,366	9,255	12	0	205,258	214,525	–	819,464	297	2,114,171	542,335	3,476,267
% of total purchases (including VAT) for the year	3.01%	0.01%	0.00%	0.00%	0.13%	0.14%	–	–	–	–	–	–
% of total sales (including VAT) for the year	–	–	–	–	–	–	–	0.79%	0.00%	2.03%	0.52%	3.33%
(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	–	–	–	–	–	–	–	1	1	14	61	77
Total amount excluded, including VAT	–	–	–	–	–	–	–	3,763	2,772	306,809	1,260,018	1,573,362
(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 profit

The Company's profit for the year, after tax, depreciation, amortisation and provision expense, amounted to €1,093,150,824.25.

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

Profit for the year ended 31 December 2021	€1,093,150,824.25
Retained earnings brought forward from the prior year	€234,979.50
Profit available for distribution	€1,093,385,803.75

We recommend:
- after noting the existence of profit available for distribution, paying to shareholders a dividend per share of €4.20, representing a total payout of €180,031,803 based on the 42,864,715 shares outstanding at 31 December 2021;
- deducting the total dividend from profit for the year;
- appropriating the balance of profit for the year, i.e. €913,119,021.25, to retained earnings, which will amount to €913,354,000.75 after this appropriation.

The shares will trade ex-dividend from 20 April 2022 and the dividend will be paid in cash from 22 April 2022.

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 €180,031,803 (€4.20 per share) will qualify as securities revenue *(revenu de capitaux mobiliers)* as defined in Article 158-3, paragraph 1, of the French Tax Code (*Code Général des Impôts*). The total amount will be paid out of profit that is exempt from corporate income tax under the tax rules applicable to French real estate investment trusts ("SIICs").

Consequently, shareholders will not be entitled to the 40% tax relief provided for in Article 158-3, paragraph 2, of the French Tax Code, even if they have made a general election to pay tax at the graduated rate (Article 158-3, paragraph 3-b *bis* of the Code).

The dividend will be subject to the flat tax (*prélèvement forfaitaire non libératoire*) provided for in Article 117 *quater* of the French Tax Code and the withholding tax (*retenue à la source*) provided for in Article 119 *bis* of the 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 is 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
– 25% 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 2021 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

See the Statutory Auditors’ Special Report on page 205 of this Universal Registration Document.

See also section 7.2 of Appendix 14.4-4 of this Universal Registration Document.

2.3. Non-financial results

Non-financial results are presented in the report on the Non-Financial Information Statement (see pages 44 *et seq.*)

2.4. Review of the Group's main subsidiaries

The table below summarises the main information concerning the Group's scope of consolidation at 31 December 2021:

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	100	100
SC Parchamps	410 233 498	100	100
SC Pargal	428 113 989	100	100
SC Parhaus	405 052 168	100	100
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	51	51
SCI Paul Cézanne	438 339 327	51	51
SCI Washington	432 513 299	100	100
SNC Condorcet Holding	808,013,890	100	100
SNC Condorcet Propco	537,505,414	100	100
SAS Cloud	899,379,390	51	51
SAS 92 Champs-Elysées	899,324,255	51	51

Four companies are 51%-owned by SFL. A shareholders' pact gives SFL *de facto* control over these companies (through its ability to control the decisions that have the greatest impact on the yield generated by these investments). The four companies are therefore considered as being controlled exclusively by SFL.

As a result of the control exercised by the Group over all of its investments, all of the companies are fully consolidated.

Société Foncière Lyonnaise is a fully consolidated subsidiary of Spanish company Inmobiliaria Colonial Socimi SA, which owned 98.3% of the capital at 31 December 2021. The Group and all of its subsidiaries have their registered office in the 8th arrondissement of Paris.

INFORMATION ABOUT SUBSIDIARIES AND AFFILIATES AT 31 DECEMBER 2021 (in € thousands)

Subsidiaries and affiliates (in € thousands)	Share capital	Reserves and retained earnings before profit appropriation	% interest	Carrying amount of investment		Outstanding loans and advances	Guarantees provided by SFL	Last published net revenue	Last published profit/(loss)	Dividends received by SFL during the year	Observations
				Cost	Net						
A – Investments with a gross value in excess of 1% of SFL's capital:											
1 – Subsidiaries (at least 50%-owned)											
SCI Paul Cézanne	56,934	110,170	51%	148,842	148,842	–	–	12,341	6,088	–	–
SCI 103 Grenelle	0	167,905	51%	81,861	81,861	–	–	7,867	4,077	–	–
SCI Washington	94,872	19,134	100%	330,533	330,533	163,460	–	22,014	12,152	–	–
SAS Maud	1,480	(2,564)	100%	2,450	–	2,501	–	3,864	101	–	–
SAS 92 CHAMPS-ÉLYSÉES	101,971	304,426	51%	206,929	206,929	–	–	3,478	655	–	–
SAS CLOUD	178,195	534,629	51%	362,609	362,609	–	–	8,997	1,966	–	–
SAS Parholding	15,000	15,972	100%	373,713	373,713	187,461	–	–	7,460	4,242	–
2 – Affiliates (10-50%-owned)											
B – Aggregate information about investments not listed in A above:											
Subsidiaries (at least 50%-owned)				300	300	188,675	–	–	9,243	1,779	–
Affiliates (less than 50%-owned)				–	–	–	–	–	–	–	–

In an asset swap with Predica, SFL acquired Predica's interest in SCI Washington Plaza and SAS Parholding (shares and receivables) and sold 49% non-controlling interests in SAS Cloud, SAS 92 Champs-Élysées, SCI Paul Cézanne and SCI 103 Grenelle to Predica (see paragraph 2.1.4, page 7, and paragraph 10, page 41).

3. EPRA Indicators

• EPRA INDICATORS

	2021	2020
EPRA Earnings (€m)	**92.4**	**100.8**
/share	*€2.05*	*€2.17*
EPRA Cost Ratio (including vacancy costs)	16.2%	15.8%
EPRA Cost Ratio (excluding vacancy costs)	14.4%	14.0%

	31 Dec. 2021	31 Dec. 2020
EPRA NRV (€m)	**5,084**	**5,210**
/share	*€118.6*	*€112.0*
EPRA NTA(1) (€m)	**4,627**	**4,779**
/share	*€107.9*	*€102.7*
EPRA NDV (€m)	**4,375**	**4,596**
/share	*€102.1*	*€98.8*
EPRA Net Initial Yield (NIY)	2.5%	2.7%
EPRA Topped-Up NIY	2.9%	2.9%
EPRA Vacancy Rate	1.7%	6.0%

(1) Transfer costs are included at their amount as determined in accordance with IFRS (i.e., 0).

EPRA CAPEX DISCLOSURE: see page 15

• EPRA EARNINGS

(in € millions)	2021	2020
Attributable profit	**292.0**	**286.9**
Less:		
Fair value adjustments to investment property	(255.2)	(176.5)
Profit (loss) on asset disposals	(0.1)	–
Non-recurring costs relating to disposals	8.1	–
Fair value adjustments to financial instruments, discounting adjustments to debt and related costs	2.6	5.0
Expenses related to asset contributions	2.0	–
Tax on the above items	(9.0)	(7.9)
Non-controlling interests in the above items	52.0	(6.7)
Underlying attributable profit – EPRA earnings	**92.4**	**100.8**
Average number of shares (thousands)	*45,002*	*46,529*
EPRA earnings per share	**€2.05**	**€2.17**

• **EPRA COST RATIOS**

(in € millions)	2021	2020
Corporate expenses	32.7	23.2
Net service charges	8.8	8.3
Less:		
– own-work capitalised	(0.7)	(0.3)
– managed facility expenses	(2.8)	(2.9)
– portion of disposal gains allocated to employee profit-sharing fund	(8.1)	–
– other non-recurring expenses	(2.0)	–
EPRA costs (including vacancy costs) (A)	**27.9**	**28.3**
Direct vacancy costs	3.1	3.2
EPRA costs (excluding vacancy costs) (B)	**24.8**	**25.2**
Gross rents	174.6	182.4
Less: managed facility expenses	(2.8)	(2.9)
Gross rental income (C)	**171.8**	**179.5**
EPRA COST RATIO (INCLUDING DIRECT VACANCY COSTS) (A/C)	**16.2%**	**15.8%**
EPRA COST RATIO (EXCLUDING DIRECT VACANCY COSTS) (B/C)	**14.4%**	**14.0%**
Additional Disclosure:		
Capitalised overheads[1]	0.9	1.6
Marketing fees[2]	3.5	1.3

(1) Corresponding to the capitalised cost of employees directly assigned to the development on a full-time basis.
(2) Marketing fees are capitalised.

• **EPRA NAV METRICS**

(in € millions)	31 Dec. 2021	31 Dec. 2020
IFRS equity attributable to shareholders	4,387	4,647
Treasury shares	2	3
Revaluation of owner-occupied property	34	22
Revaluation of intangible assets	4	2
Exclusion of fair value of financial instruments	(4)	0
Exclusion of deferred tax in relation to fair value gains of investment property	211	109
Transfer costs	451	427
EPRA NRV – Net Reinstatement Value	**5,084**	**5,210**
/share	*€118.6*	*€112.0*
Exclusion of intangible assets	(2)	(1)
Elimination of unrealised gains on intangible assets	(4)	(2)
Adjustment of transfer costs[1]	(451)	(427)
EPRA NTA – Net Tangible Assets	**4,627**	**4,779**
/share	*€107.9*	*€102.7*
Intangible assets	2	1
Financial instruments at fair value	4	0
Fixed-rate debt at fair value	(47)	(76)
Deferred taxes	(211)	(109)
EPRA NDV – Net Disposal Value	**4,375**	**4,596**
/share	*€102.1*	*€98.8*
Number of shares (thousands)	42,865	46,529

(1) Transfer costs are included at their amount as determined in accordance with IFRS (i.e., 0).

• **EPRA NET INITIAL YIELD/EPRA"TOPPED-UP" NIY**

(in € millions)	31 Dec. 2021	31 Dec. 2020
Portfolio value excluding transfer costs	7,606	7,458
Less: developments	(1,249)	(1,146)
Portfolio value excluding transfer costs. less developments	**6,357**	**6,312**
Transfer costs on property portfolio	458	433
Portfolio value including transfer costs, less development (B)	**6,815**	**6,745**
Annualised cash rents	176	184
Irrecoverable property expenses	(4)	(4)
Annualised net rental income (excluding rent-free periods) (A)	**172**	**180**
Plus: rent-free periods and other lease incentives	23	13
Annualised net rental income (C)	**195**	**193**
EPRA NIY (A/B)	**2.5%**	**2.7%**
EPRA "topped-up" NIY (C/B)	**2.9%**	**2.9%**

• **EPRA VACANCY RATE(1)**

(in € millions)	31 Dec. 2021	31 Dec. 2020
Estimated rental value of vacant space (A)	3.2	11.5
Estimated rental value of the whole portfolio (B)	187.7	192.6
EPRA Vacancy Rate (A/B)	**1.7%**	**6.0%**

(1) Excluding non-controlling interests

• **EPRA CAPEX DISCLOSURE**

(in € millions)	2021	2020
Acquisitions	–	–
Development	107.2	64.9
Investment properties excluding development	43.7	45.9
Other CapEx(1)	9.7	10.4
Total CapEx	**160.5**	**121.2**

(1) Includes interest and other charges capitalised on developments.

4. Subsequent Events

The following information is a supplement to the management report approved by the Board of Directors on 18 February 2022 and concerns events that occurred following the report's approval.

On 24 February 2022, SFL granted an irrevocable and binding call option, subject to conditions precedent, on all the shares of the property company (SCI) that owns the building located at 91-93 boulevard Pasteur (Paris 15e), which is part of a larger property complex. This 39,500 sq.m. building, located near the Montparnasse train station, is fully leased to Amundi. The reiterative deed of sale is due to be signed within two months of signature of the call option.

The current armed conflict between Ukraine and Russia and its potential impact on the global economy is being closely monitored by SFL's management. The impact on SFL currently appears to be limited, because of its business and its defensive and resilient positioning. (The potential impacts of this conflict are described in the Risk Factors on pages 18 *et seq.*)

5. Outlook

5.1. Forecast developments and outlook

The Group's experience during the second year of the Covid-19 crisis confirmed its ability to respond effectively to the expectations of the most demanding tenants and to changes in the way companies are organised, thanks to its high quality property portfolio and very robust balance sheet. In the Paris commercial property market, SFL is a pure player in prime, centrally located properties meeting the highest standards of excellence. This is the segment most in demand among users, providing a guarantee of stability and resilience.

5.2. Strategy and objectives

SFL's portfolio is invested for the most part in large prime commercial assets located in Paris's central business districts. Our investment strategy consists of making long-term investments in carefully selected properties with significant reversionary potential that offer scope to create long-term value. SFL's positioning in this segment ensures that its very high rental yields are maintained, even in periods of economic turbulence. Our properties' sustainability is also a very positive factor, as can be seen from our low tenant turnover rate (less than 10% a year). We are keeping a close eye on investment opportunities in a still highly competitive market, holding firm to our strategy of investing in properties with significant reversionary potential.

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 large 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).
  • Continue to reduce energy and water use, and greenhouse gas emissions (compared to 2011 baselines).
  • 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.

6. 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 purchasing the Company's shares on the primary or secondary market.

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

As of the date of this report, SFL 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 Group. On the one hand, the Group 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 Group, its business, financial position, results or outlook, may exist or could become significant factors that may have a material adverse effect on the Group, 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 and the estimated magnitude of their adverse effect (major, moderate or minor) as assessed by the Group at the date of this report.

Risks related to the conflict between Ukraine and Russia:
(Additional information not included in the management report approved by the Board of Directors on 18 February 2022).

SFL's exposure to the consequences of the conflict in Ukraine is currently limited. However, we have identified the following risk factors that could potentially be exacerbated by this conflict, although it is premature to assess all the potential repercussions for SFL at this stage.

The following risk factors are presented:

Risk factors	Level of risk
A – Macroeconomic risks	
1 – Risk of a global economic and/or health crisis	Major
2 – Risk of a change in the economic environment and the office property market	Major
B – Risks that are specific to the property sector	
3 – Tenant risks	Major
4 – Asset valuation risks	Major
5 – Property utilisation and development risks	Major
6 – Asset obsolescence and impairment risk	Moderate
7 – Strategic risks	Moderate
C – Financial risks	
8 – Liquidity risk	Minor
9 – Counterparty risk	Minor
10 – Interest rate risk	Minor
D – Environmental, social and governance risks	
11 – Environmental risks	Major
12 – Social risks	Moderate
13 – Governance risks	Minor
E – Legal and tax risks	
14 – Legal and tax risks related to regulatory compliance	Moderate
F – Technological risks	
15 – Information system and data protection risks	Moderate

A. MACROECONOMIC RISKS	
1. Risk of a global economic and/or health crisis (Major)	
Description of the risk	***Potential adverse effects***
The global health crisis that began in March 2020, while having a moderate impact on SFL in 2021, highlighted the potential occurrence of the following risks: – Risk of rental and investment market disruption – Solvency risk – Risk of development projects being delayed or halted – Image risk due to non-compliance with government measures The armed conflict between Ukraine and Russia that started at the end of February 2022 could increase the following risks: – Liquidity risk – Interest rate risk – Risk related to the supply and rising cost of raw materials and other materials – Risk of rising energy costs	– Decrease in rental income/tenant default – Fall in portfolio values – Lost opportunities to purchase and sell properties – Delays in delivering major redevelopment projects, increased costs and impact on the quality of the work – Decline in operating profit – Erosion of NAV – Erosion of the Group's cash position – Higher interest charges – Difficulties in recovering costs recoverable from tenants in the event of significant increases in energy costs
Risk prevention/mitigation measures	
– All office buildings kept open and available for use by tenants; necessary health protection measures deployed in the buildings' common areas and regularly updated to comply with successive government directives. – Application of government measures concerning very small businesses and small retail outlets; tenant requests for help managed on a case-by-case basis in order to provide them with the necessary support as best as possible, for example by authorising rent deferrals or rent holidays. – Continuation of property marketing activities; close monitoring of developments in a sluggish market. – Signature of agreements with the general contractors working on the main redevelopment projects. – Continuation of the sale process for properties held for sale. – Enhanced financial liquidity: as of 31 December 2021, SFL had €1,140 million in undrawn credit lines (contracts with a Significant Adverse Event clause), representing a solid buffer in the event of any difficulty of accessing liquid sources of financing. – SFL borrows at fixed rates of interest and at least 70% of its debt is hedged in accordance with Group policy, which limits the potential impact of a rise in interest rates. – Energy use in the tenant areas is re-billed to tenants, which limits the impact of rising energy prices on SFL.	
The information needed to assess this risk is provided in Note II-3 to the consolidated financial statements (page 147).	
2. Risk of a change in the economic environment and the office property market (Major)	
Description of the risk	***Potential adverse effects***
– SFL is 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. – Risk of a change in the external environment (political and financial) – Social risks (changes in behaviour, changes in habits) – Risk of competition from investors with considerable equity capital, such as insurers, SCPI and OCPI property funds and sovereign wealth funds, and from other investors with moderate levels of debt and gearing	– Missed investment opportunities/investment opportunities lost to competitors – Lower rental income – Decline in operating profit – Erosion of NAV

Risk prevention/mitigation measures

– Presentation of an analysis of the market and the external environment to the Board of Directors, to inform Board discussions that influence the Group's strategy.
– Sensitivity tests to determine the impact of a 25 bps increase/decrease in exit yields and discount rates, in order to assess and take into account the risk of a cyclical market reversal.
– Annual Paris Workplace surveys (carried out with IFOP among 3,000 executives in the Paris region) to gain a better understanding of the behaviour and expectations of office users.
– Regular and near-permanent monitoring of the property market; regular consultation of external advisers; regular internal and external research.
– Strategic focus on the Paris prime office property market (80% of the Group's portfolio).
– Covenant-free financing capacity.

See Note V - 4 to the consolidated financial statements (Investment property), pages 153 and 154, for more information about the parameters used to value investment properties in each asset class.

B. RISKS THAT ARE SPECIFIC TO THE PROPERTY SECTOR

3. Tenant risk
(Major)

Description of the risk	***Potential adverse effects***
– Risk of non-collection or late collection of rent – Risk of leases not being renewed or renewed on less favourable terms, especially in the event of a cyclical market downturn – Risk of departure of a tenant occupying a significant part of a building – Risk of unforeseen vacancies resulting in significant lost revenue	– Lower physical occupancy rate – Lower rental income – Decline in operating profit

Risk prevention/mitigation measures

– Brokers appointed to assist in the marketing of vacant units.
– Diversified tenant portfolio spanning a number of different sectors – Finance/Insurance (29%), Digital/Media (11%), Fashion (12%), Lawyers/Consultants (10%), Industry (9%), Real Estate (12%), Other (17%).
– Process in place to prevent collection risks:
  - Financial analysis of each new tenant's credit quality performed by the Company and by brokers before the lease is signed.
  - Guarantee adapted to each tenant's financial situation (security deposit, first-demand guarantee, etc.).
  - Monthly review of tenant arrears.
  - Tenant monitoring procedure using Creditsafe, which notes and tracks tenants' credit quality, in order to flag up any potential collection problems.
  - Half-yearly financial health checks performed for tenants representing significant rent receivables at the period-end.

– Regular monitoring of upcoming lease renewals and marketing:
  - Monthly meetings of the Marketing Action Committee, made up of representatives of the Marketing and Operations departments, to implement the strategy to be followed in each case, based on lease renewal dates (early renegotiation, scheduling of renovation work, etc.).
  - Monthly meetings between representatives of the Marketing Department and brokers to discuss the status of marketing programmes, share information on the latest visits by potential tenants, the status of negotiations and comparable transactions in the sector.

4. Asset valuation risk
(Major)

Description of the risk	***Potential adverse effects***
As a direct result of property market trends, the Company is exposed to the risk of a fall in value of its assets with a direct negative impact on consolidated profit and NAV: – Risk of errors in the valuation of buildings due to the assumptions used by the valuers (over- or under-valuation of an asset requiring a significant adjustment) – Risk of appraisal value variances	– Adverse effect on the consolidated financial statements – Adverse effect on the profit and loss account – Adverse effect on NAV

Risk prevention/mitigation measures
– Procedure covering six-monthly portfolio valuations performed by recognised independent valuers. – Valuations performed in accordance with the *Charte d'Expertise en Evaluation Immobilière* (property valuation charter) and in full compliance with the standards issued by The European Group of Valuers' Associations (TEGoVA), as well as with the Royal Institution of Chartered Surveyors' (RICS) standards and valuer rotation principles. – Valuations performed by two different recognised firms (Cushman & Wakefield: 55% of the portfolio, CBRE: 45%). – Valuations reviewed by the Group's asset managers. – Valuations examined by the Statutory Auditors and their property appraisal specialists.
See Note V - 4 to the consolidated financial statements (Investment property), pages 153 and 154, for more information about the parameters used to value investment properties in each asset class.

5. Property utilisation and development risks (Major)	
Description of the risk	***Potential adverse effects***
– Administrative risks: risk of project modifications imposed by the planning authorities or building regulations, risk of delays in obtaining administrative authorisations (building permits, development permits, commercial property permits (CDAC) or approval from local commissions that oversee compliance with health and safety regulations in buildings open to the public) – Risk of third-party complaints: risk of delays, risk of faulty or substandard services – Risk of site disamenities – Risks related to stakeholder intervention (suppliers, contractors) – Insurance risk: risk that insurance cover is inadequate and does not cover the total estimated loss or the type of loss incurred – Risk of the project being delivered late and over budget; risk of quality issues – Marketing risks: risk of leases being negotiated on unfavourable terms	– Project delays, budget overruns, abandoned projects – Longer period without any revenue from the property – Disruption of the performance bond compliance process – Impossibility of using certain assets – Erosion of the Group's business performance, results and financial position – Erosion of SFL's image and reputation

Risk prevention/mitigation measures
– Strategy covering development work: • No partnership strategy with contractors: each project is dealt with separately (with one exception, concerning renovation of several floors of Washington Plaza > Successful experience). • Work strategies, budgets, etc., reviewed at meetings of the Project Review Committee held every three months or so. – Preparation of studies prior to submission of applications for building permits and authorisations: • Regulatory watch by the Legal Department, good knowledge of local players and the planning authorities’ requirements and requests: all files are audited by specialised lawyers before being submitted. • Risks associated with the permit application review process managed by submitting draft applications to the planning department concerned. – Risk of planning appeals limited by: • Establishing lines of communication with local residents: the general contractor communicates regularly with local residents and meetings are organised upstream, depending on the context. • Systematically initiating summary proceedings to avoid planning appeals being lodged. – Choice of contractors/contracts: • Contractors are contractually required to systematically implement protective measures designed to limit disamenities. • Contract tendering process to ensure that (i) suppliers are capable of fulfilling their commitments in terms of quality, price and delivery date for the work in question, and (ii) the supplier’s price is realistic in relation to market rates. – Contract signed with the general contractor setting out a total budget, timeline and detailed specifications in order to provide the best possible framework for the project; contracts validated by the Legal Department. – Work monitoring process: • Structured and balanced relationship with contractors to ensure any unforeseen problems are dealt with immediately. • Numerous project management tools to very closely monitor the contractors’ work. • Risk of cost overruns limited through project monitoring processes and expert sign-off on specialised work. • Prime contractor always present on site. At each project milestone, all decisions are made internally; no decisions are delegated. – Regular site meetings. – Adequate construction insurance purchased through a specialised broker. – Rental market research and marketing: • Regular monitoring of the rental market by the Marketing Department. • Preparation of a 5-year business plan, updated annually (or twice yearly if necessary) defining the marketing strategy for vacant units. • Frequent contact with brokers to monitor market developments and the marketing programmes in progress, taking into account competing properties, competing development projects and the assets’ geographical location. • Internal controls to ensure that lease terms comply with the conditions specified in the marketing mandates and the business plan validated by the Board. • Frequent exchanges between the Asset Management, Property Management and Technical Departments to define the financial and technical aspects of the leases.

6. Asset obsolescence and impairment risk (Moderate)	
Description of the risk	***Potential adverse effects***
– Risk of increased sensitivity of assets to changes in environmental and other regulatory standards and to CSR issues – Risk of a loss of value: yield risk, risk that the value of the property is not protected	– Loss of attractiveness to tenants – Higher insurance premiums, operating costs and construction costs – Erosion of NAV – Erosion of SFL's image and reputation

Risk prevention/mitigation measures

– Close attention paid to planning asset renovation and redevelopment work, and enhancing assets through the addition of new services.
– CSR issues deeply embedded in the Group's property strategy:
  • Twice-yearly meetings of the CSR Committee to define the broad strategic goals for each CSR issue.
  • Procedures to ensure that the Group's CSR performance reflects best industry practice and is recognised by the property valuers.
  • Compliance with EPRA CSR reporting guidelines.
– Protection/improvement of yields and capitalization rates:
  • Long-term approach to reduce the risk of losses due to fluctuating yields.
  • Regular risk appetite assessments by the Board of Directors and monitoring of key risk indicators with the Audit Committee.
– Value protected through the quality and duration of leases and the quality of the assets:
  • Condition of the assets monitored regularly and maintenance and/or restructuring work carried out to maintain or enhance the value of the assets over time.

See the Non-Financial Information Statement – NFIS, pages 44 et seq.

7. Strategic risks (Moderate)	
Description of the risk	***Potential adverse effects***
Inappropriate investment decisions to sell or buy an asset could have adverse consequences: – Risk of selling assets at a price considerably below their expected value: risk of overestimating the fair market value of a building (inadequate return on investment, or even a loss) – Risk of investing in assets that do not comply with the applicable regulations – Investment and divestment risk/inability to sell unprofitable assets	– Lower-than-expected profit or a loss – Fall in portfolio values

Risk prevention/mitigation measures

– Sales/divestments:
  • Properties sold systematically on the basis of a call for bids.
  • Assets valued twice a year by independent valuers in cooperation with the Asset Management Department.
  • All sales subject to Board approval prior to completion.
– Purchases/investments:
  • Monthly identification by the Investment Committee of properties that the Group may be interested in acquiring.
  • External advice obtained from notaries, lawyers and/or technical consultants, as necessary, for each transaction in addition to internal expertise.
  • Analysis by internal technical, investment and asset management teams of the pricing and expected profitability of the property targeted for purchase (pricing modelling and IRR calculation).
  • Proposed deals in excess of €20 million must be authorised by the Board of Directors.

<table>
<tr><th colspan="2">C. FINANCIAL RISKS</th></tr>
<tr><th colspan="2">8. Liquidity risk
(Minor)</th></tr>
<tr><th>Description of the risk</th><th>Potential adverse effects</th></tr>
<tr><td>Investing in property – especially prime office property – requires significant funds, and it is therefore essential to have regular access to various sources of finance (bank loans, bonds, NEU CP commercial paper programmes, etc.). SFL is exposed to the following risks:
– Risk of being unable to raise significant funds to finance capital expenditure and property purchases, and to replace debt at maturity
– Risk of being unable to meet short-term cash needs
– Risk of difficulty in accessing finance</td><td>– Reduced ability to raise funds and consequently to access the liquidity needed to conduct the business
– Reduced cash reserves (limited ability to purchase new assets, renovate assets)
– Difficulties in refinancing existing debt
– Increased finance costs
– Bankruptcy</td></tr>
<tr><th colspan="2">Risk prevention/mitigation measures</th></tr>
<tr><td colspan="2">– Macroeconomic situation analysed and risk management processes implemented to anticipate changes in the financial markets.
– This risk is covered by confirmed lines of credit: at 31 December 2021, SFL had €1,140 million in undrawn lines of credit (contracts with a Significant Adverse Event clause).
– Debt composed of several tranches with amounts and maturities spread over time.
– Liquidity risk management (to manage access to financing) and cash management (cash forecasts) processes monitored in order to manage cash needs and distribution of cash surpluses as effectively as possible.
– Financing policy, key balance sheet ratios and risk indicators monitored by the Board of Directors.
– None of the Company's bank loans include a rating trigger.
– 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.
– Standard hard covenants negotiated; monitoring process to keep LTV ratio at around 35% (vs. 50% limit imposed by the covenants), leaving significant headroom.
– S&P credit rating monitored (BBB+/Stable since 30 October 2017).</td></tr>
<tr><td colspan="2">See also Note VII – 1 to the consolidated financial statements (Borrowings and other interest-bearing debt):
– Analysis of borrowings by maturity (page 160).
– Debt covenants and acceleration clauses (page 160)
See also paragraph 1/ Liquidity risk in Note VII – 4 to the consolidated financial statements (Financial risk management objectives and policy), page 162.</td></tr>
<tr><th colspan="2">9. Counterparty risk
(Minor)</th></tr>
<tr><th>Description of the risk</th><th>Potential adverse effects</th></tr>
<tr><td>– The banks that provide lines of credit and/or hedging instruments may fail to honour their commitments. The counterparty risk represented by the hedging instrument is priced into the instrument's market value; the Group's hedging instruments are marked to market at 30 June and 31 December of each year
– Risk of capital loss in the event of a bank default</td><td>– Loss of the benefit of hedges
– Deterioration of the Group's financial position and profits</td></tr>
<tr><th colspan="2">Risk prevention/mitigation measures</th></tr>
<tr><td colspan="2">– Monitoring of the financial position of the Group's banks (lenders and counterparties for hedging instruments).
– Relationships with nine different diversified, top-ranking banking institutions that are unlikely to default.
– Cash reserves kept to a minimum, with surpluses generally used to repay borrowings under the revolving lines of credit.</td></tr>
<tr><td colspan="2">See Note VII – 1) to the consolidated financial statements (Borrowings and other interest-bearing debt), page 159, for more information about lines of credit and hedging instruments negotiated with banks.</td></tr>
</table>

10. Interest rate risk (Minor)	
Description of the risk	***Potential adverse effects***
– Risk of an increase in interest rates, driving up the Group's borrowing costs – Financial instruments exposed to interest rate risks include negotiable European commercial paper (NEU CP) as well as drawn and undrawn revolving lines of credit	– Higher interest charges – Increased finance costs

Risk prevention/mitigation measures

– Interest rate risks 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.
– Process to efficiently quantify and analyse the risks associated with interest rate fluctuations.
– Use of traditional interest rate hedging instruments.
– Standard interest rate derivatives and fixed-rate borrowings used with the dual objective of reducing the sensitivity of borrowing costs to rising interest rates and minimising the cost of the derivatives.
– Internal policy of hedging at least 70% of debt at all times.
– Hedging programme led by the Treasury Department based on the 70% ratio: possibility of setting up pre-hedges.
– Management meeting every 5 to 6 weeks to adjust hedging positions (long term, short term, anticipation of rate changes).

The information needed to assess this risk is provided in Note VII – 4 2/c to the consolidated financial statements (page 163).

D. ENVIRONMENTAL, SOCIAL AND GOVERNANCE RISKS

11. Environmental risks (Major)	
Description of the risk	***Potential adverse effects***
– Material, physical and transitional risks of climate change – Transition risk with the potential tightening of industry-specific regulations and increased stakeholder expectations: risk of new environmental obligations (labels and certificates) – Risk of mismatch between assets and stakeholders' environmental requirements – Risk of extended timeline for obtaining administrative authorisations – Risk of non-compliance with environmental regulations (office properties) – Potential risk of jeopardising the completion of operations	– Increased cost-of-use and construction cost, higher insurance premiums – Erosion of SFL's image and reputation – Criminal conviction – Erosion of NAV

Risk prevention/mitigation measures

– A technical unit has been set up with specific responsibility for environmental, health and safety compliance.
– Certification company selected from among the industry majors to keep abreast of regulatory changes and perform all regulatory checks.
– Plan to drive continuous improvement in the environmental performance of the Group's assets, by constantly enhancing each building's environmental and health & safety standards, and diligently keeping service charges and capital expenditure under control, in order to pro-actively prepare for future regulations, while continuing to attract and retain tenants. BREEAM In-Use certification policy for the entire portfolio.
– Digital building management systems (Facility Management BIM, smart metering, etc.) to make processes more efficient.
– Climate risk analysis based on ADEME guidelines.
– Integration of CSR issues in the property strategy:
  • Twice-yearly meetings of the CSR Committee to define the broad strategic goals for each CSR issue.
  • CSR performance aligned with industry practices recognised by valuers.
– Compliance with EPRA CSR reporting guidelines.

12. Social risks (Moderate)	
Description of the risk	***Potential adverse effects***
– Risk of losing key people, leading to a leakage of skills that is detrimental to the efficient monitoring of projects, the conduct of the business and all aspects of the Group's management (legal, technical, financial, asset management, marketing, etc.). The Group must remain attractive for its talents and know how to develop employees' skills in order to remain competitive. High levels of employee engagement are necessary for the efficient management of the Group, which must remain attentive to employees' needs and desires, and remain sensitive to the possible occurrence of psychosocial risks – Legal and financial risks in case of non-compliance with social regulations by the Group	– Loss of competitiveness – Erosion of NAV – Erosion of SFL's image and reputation – Criminal conviction
Risk prevention/mitigation measures	
– Direct and indirect remuneration policies that are fair, competitive and incentivising: • Fixed salary and objectives-based bonus scheme. • Statutory and discretionary profit-sharing schemes. • PERECO employee pension savings scheme, with matching Company contributions to encourage employees to save for their retirement. • Performance share plan. – Policies on skills development, quality of working life and gender equality. – Social criteria introduced in the value chain. – Annual training plan 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 market, in order to improve employees' skills and expertise. Objective of investing the equivalent of 2.5% of the total payroll in training and skills development. – Gender equality agreement. – Preventive approach to addressing psychosocial risks through a questionnaire sent to all employees (QWL survey).	
See also Non-Financial Information Statement, pages 43 et seq.	

13. Governance risk (Minor)	
Description of the risk	***Potential adverse effects***
– Risk of dependence on the main shareholder – The Group is exposed to civil and criminal liability risks in the event of regulatory breaches (particularly for environmental damage or public health incidents, reckless endangerment, anti-competitive practices, tax evasion or human rights breaches)	– Decline in profits – Loss of investor confidence – Erosion of SFL's image and reputation – Non-compliance with the going concern principle – Significant governance changes – Loss of competitiveness – Direct impact on financial communications
Risk prevention/mitigation measures	
– Internal ethics charter applicable to employees, appended to their employment contract and given to each new employee. – Outsourced collection of contractor compliance certificates. – Use of standard contractor and supplier contracts including clauses relating to undeclared work: the e-certificate monitoring application also enables suppliers and contractors to check online that they have fulfilled their obligations. – Suppliers and contractors selected based on their APE business identifier code, which provides an indication of their exposure to the risk of employing undocumented workers. – Sub-contracting pyramid limited to a maximum of two levels, to avoid inappropriate use of sub-contractors.	

E. LEGAL AND TAX RISKS	
14. Legal and tax risks related to regulatory compliance (Moderate)	
Description of the risk	***Potential adverse effects***
– Continuous risk of changes in the very detailed regulations covering commercial leases, town planning, the construction industry, company law, securities law, safety, the environment and public health, especially in the context of the Covid-19 pandemic – Risk of tenants failing to strictly comply with all applicable environmental, health and safety and other regulations – Risk of litigation and disputes – Risk of losing the benefit of the SIIC tax regime if the eligibility rules are breached – Risk of the SIIC regime being abolished in the event of a change in government tax strategy – Risk of corruption (insider trading, misappropriation of funds)	– Risk of civil and/or criminal liability proceedings against SFL or its directors, leading to the payment of damages, penalties or fines – Decline in profits and margins – Deteriorated growth outlook – Loss of SIIC status, leading to higher tax costs and lower dividends – Erosion of SFL's image and reputation – Negative impact on buildings' appraisal values determined by buyers during their due diligence procedures
Risk prevention/mitigation measures	
SFL has the legal and technical skill sets needed to manage these risks: – A specialised Legal Department responsible for monitoring regulatory developments, overseeing compliance with the various regulations applicable to the business, tracking and monitoring all of the Group's contractual obligations and commitments. – Support provided by external advisors and consultants where necessary (specialised legal advisors). – In-house training programmes to raise awareness of the risks and responsibilities of the various actors. – Internal procedures to raise the level of accountability of the various people involved. – A technical unit with specific responsibility for environmental, health and safety compliance. – Regular monitoring of the conditions of eligibility for the SIIC regime, especially changes in the tax authorities' position and legal precedent (dividend obligations, obligations concerning the level of control exercised by the majority shareholder, etc.). – Health measures in all buildings.	

F. TECHNOLOGICAL RISKS	
15. Information system and data protection risks (Moderate)	
Description of the risk	***Potential adverse effects***
Companies are increasingly subject to the risk of cybercrime, potentially leading to major incidents affecting IT infrastructure. – Risk of all or part of the Group's information system being shut down – Risk of sensitive or confidential information being lost or stolen – Risk of cybersecurity fraud: risk of the Company's identity being usurped by tenants or contractors, in order to disclose confidential information or generate illicit cash disbursements	– Disruption of the Group's operations during a more or less long period – Damage to the business – Disputes with tenants – Financial loss – Reputational damage
Risk prevention/mitigation measures	
– Intervention of specialised external service providers covering about 80% of the system (SharePoint, Estia, ADP, etc.): SAAS access management solution. – Daily backup of management data; synchronous backup of office system data. – Firewall to enhance security. – IT system recovery contract with external service provider, guaranteeing intervention within less than 24 hours of call out. – Awareness-raising initiatives and internal procedure memo concerning personal data protection, in addition to the GDPR training provided when the regulation first came into effect.	

16) 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.

7. Insurance

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

7.1. Property insurance programme

Property damage insurance

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

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

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

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

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

In light of the properties' location, in a dense urban environment, their complexity and size, our insurance strategy focuses on obtaining high quality cover.

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 firm is also responsible for updating insured values following major renovation work.

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 (not including structural damage). 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. (For all other non-eligible work, a different procedure was introduced in 2021, described in section 7.3 below.)

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.

7.2. Corporate insurance

7.2.1. All-Risks Office

The All-Risks Office policy covers the furniture, equipment and supplies in the Company's headquarters in the 42 Washington building in the 8th *arrondissement*, the Square Édouard VII Business Centre in the 9th *arrondissement* and the concierge services area in the #cloud.paris building (6 rue Ménars in the 2nd *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.

7.2.2. 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 cyberattack or threatened attack on its information systems.
– Any complaint resulting from a cyberattack 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.

7.2.3. 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.

7.2.4. 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.

7.3. 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 7.2.3 above.

To simplify and accelerate the process, a procedure has been set up via a broker who has managed SFL's property insurance and corporate policies for many years.

Two protocols have been developed, one for Contractors All-Risks insurance and the other for Structural Damage and Developer insurance. They define the arrangements with the insurer (fast-track claim reporting, amount of cover, deductible, pricing). In addition, a questionnaire prepared with the broker ensures that SFL provides all the necessary information to the insurer, and also lists all the documents to be submitted at the various stages of the redevelopment project.

8. 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

The Company's internal organisation is built around three areas of expertise:
– Operations, encompassing the property, asset management, technical and marketing disciplines.
– Finance, including accounting, financing, budget control and investor relations.
– Support, including the following units:
  • Resources, comprising Legal, Internal Control & Audit and General Services, reporting to the Chief Operating Officer.
  • Human Resources, reporting to the Chief Executive Officer.
  • Information Systems, reporting 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.
– Overview of the Audit Committee's work in 2021 and comparison with best practices.

8.1. 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.

8.1.1. 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.

8.1.2. 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.

8.1.3. 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

Several major transformations were implemented in 2021:
– All expenditure, whether on building works programmes, property maintenance or overheads, is now managed on a single system allowing detailed monitoring of actual expenditure versus the budget, long-term plans and relations with contractors and suppliers.
– In addition, the decision-making system was enhanced with the inclusion of new operational data for the day-to-day monitoring of asset and property managementindicators.
– Finally, the entire server infrastructure was migrated from the Company's headquarters to the Azure hosting solution offering high-performance supervision and security systems.

In 2022, work will continue on replacing the ageing business management modules with a modern and scalable solution.

8.1.4. 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.

8.2. Internal control procedures

8.2.1. 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 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.

8.2.2. 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 16 *et seq.*

8.2.3. Insurance

Details of the Group's various insurance policies are provided in the section on page 27 *et seq*.

8.2.4. 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.

8.2.5. 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.

8.2.6. 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.

8.2.7. 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 and capital expenditure 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 reports and 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.

8.2.8. 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 with Significant Adverse Event clauses are maintained for amounts at least equal to the debt repayments due in the short-term, in order to cover liquidity risks.

8.2.9. 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 99% of debt at 31 December 2021, with 94% 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.

8.2.10. 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.

8.2.11. 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.

8.2.12. 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.

Under the tendering procedure, competing bids must be sought from at least three suppliers or contractors for contracts in excess of €100 thousand, and quotes must be obtained from at least three suppliers or contractors for contracts representing between €50 thousand and €100 thousand.

8.3. Overview of the Audit Committee's work in 2021 and comparison with best practices

8.3.1. The Audit Committee's role and best practices

• 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 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 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 2021, so that the Board could assess this work.

The Statutory 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 unrecognised accounting adjustments identified during the audit, and details of any other identified irregularities or misstatements.

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.

8.3.2. Internal audits performed in 2021

At its meeting on 14 January 2021, the Audit Committee defined and approved the internal audit programme for the year based on the Company's risk map.

The 2021 programme covered the following:
i) Review of CSR controls
ii) Risk map update
iii) Follow-up of action to implement the internal auditors' recommendations
iv) Purchases and contract tendering
v) Credit and collection processes.

After each audit, a report was prepared and submitted to the Audit Committee, which also made inquiries of the internal auditors and the Chief Resources Officer/Legal Affairs Director. The Information Systems Director, the Technical and Development Director and the Human Resources Director were also interviewed during these meetings.

i) Review of CSR controls

• Objective

The objective of this audit was (i) to review the CSR organisation, governance and reporting processes, and (ii) to audit the qualitative and quantitative information.

The audit covered the following four areas:
– CSR Governance and Management (see 2020 Non-Financial Information Statement on pages 38 *et seq.* of the Universal Registration Document filed on 14 March 2021).
– Location and accessibility, Certifications and Labels.
– Low-Carbon Strategy and Employer Appeal.
– Skills Development & Diversity.

• Background

SFL has a proactive CSR strategy and applies the best market standards. We are supported in the implementation of our CSR strategy by a specialist external service provider, UpCycle. All of our assets are certified, and half of them have earned BREEAM Excellent ratings. We also set performance targets in line with best practice, which is still quite rare in Non-Financial Information Statements.

• Strengths and areas for improvement by audit topic

CSR governance and management	
Strengths	*Recommended areas for improvement*
A description of ESG governance is provided in the Non-Financial Information Statement published on 15 March 2021 (section 7.3): – SFL's CSR governance is embedded in each activity and is overseen by the Board of Directors. – A dedicated ESG committee meets twice a year to determine the major strategic guidelines for each CSR issue. – The roles and responsibilities of each person have been defined. Our CSR issues were identified by multi-stakeholder working groups. These issues were analysed by materiality in accordance with recognised international and industry guidelines (GRI, EPRA). The process was supported by the external service provider UpCycle. The calculation standards are described in section 7.5 "Methodological note" of the Non-Financial Information Statement published on 15 March 2021.	It would be good practice to issue a document formally describing the roles and responsibilities of each person involved in CSR governance, for the preparation of non-financial information documents and responses to GRESB and EPRA questionnaires. A simple dashboard should be created in Excel, listing the CSR issues identified as relevant to the Group's business, the action plans to address these issues, measurable objectives and the deadline for meeting them, the identified sponsor for each issue within the Group and the associated management indicators. A formal description of the methodology should be drawn up for internal use, covering all social or environmental performance indicators. The methodology should include more detailed information concerning the indicators, the data owners in charge of the KPI, the process for producing the indicator and the related tools.

Location & accessibility, certifications and labels	
Strengths	*Recommended areas for improvement*
The accessibility of assets is one of the pillars of SFL's ESG approach, in line with best practice. As of 31 December 2020, the entire portfolio had been BREEAM In-Use certified since 2012, with ratings of Very Good or higher since 2016. We consider which labels are of interest for each property on a case-by-case basis.	It could be useful to provide maps in the Non-Financial Information Statement showing the distance between each property and the closest transport links. Our current target is to obtain environmental certification for all office properties in use and all refurbishment projects. To reflect the level of excellence achieved by our properties, it may be useful to adjust or add to this target by aiming to achieve BREEAM In-Use Very Good rating for all office properties in use and BREEAM Very Good rating for all redevelopment projects.

Employer appeal, skills development and diversity	
Strengths	*Recommended areas for improvement*
A reference base for HR indicators has been created in accordance with several ISAE 3000 guidelines (definition of the roles and responsibilities of contributors, mention of the requested reporting period and frequency, description of the organisation and methods for collecting the published information, etc.).	The social indicators reference base "Consolidation référentiel RH_ind02" states that these indicators have been determined in accordance with the GRI standard, which corresponds to best practice. This standard is only mentioned in section 7.2 "Materiality of issues" in the Non-Financial Information Statement of March 2021. In the interest of good market practice, it is recommended that the next Non-Financial Information Statement should include a cross-reference table between the performance indicators and the corresponding GRI standard.

Low-carbon strategy	
Strengths	*Recommended areas for improvement*
Emission factors are updated regularly, in line with good practice. Energy intensity in kWh/sq.m. is climate adjusted for better comparability and performance analysis. SFL maintains an ongoing dialogue with multi-technical maintenance engineers to reduce waste volumes and energy and water use as far as possible.	Waste reporting only covers non-hazardous waste and paper, and cardboard. The scope should be extended over time to include bio-waste, glass and plastics. Water use indices are sometimes based on estimates. The estimation method(s) should also be specified in the Non-Financial Information Statement.

ii) Risk map update

• Objective

The risk map identifies the inherent risks of the environment in which SFL operates and the measures deployed on a day-to-day basis to mitigate these risks.

The purpose of the audit was to converge the two existing reference bases – derived respectively from an old map dating back to 2017 that is used by the Audit Committee, and from the management report – by stripping out unnecessary or redundant details and streamlining the map's structure. The aim was to make the risk map easier to understand by internal teams and readers of the annual report.

• Background

For each specified risk, KPMG analysed the nature and scale of the associated impact and the risk's probability of occurrence.

Each risk's degree of criticality corresponds to its potential impact multiplied by the probability of occurrence. On this basis, risks may be classified as "Not material", "Minor", "Moderate", "Major" or Critical.

• Conclusion

Following this audit, KPMG recommended adopting a new risk classification, which has been used in section 6 "Risk Factors" on pages 16 *et seq.* of this report.

iii) Follow-up of action to implement the internal auditors' recommendations

• Objective

The purpose of the audit was to ensure that action had been taken to implement the recommendations resulting from previous audits.

• As of 23 April 2021

Of the 36 recommendations made following previous audits:

– 23 recommendations (64%) had been implemented.
– Four recommendations (11%) were in the process of being implemented and were the subject of action plans; these notably concerned the GDPR audit (completed in June 2019) and the Construction Insurance audit (completed in December 2020).
– Two recommendations (5.5%) had been partly implemented.
– Two recommendations (5.5%) had not been implemented, concerning the Procedure for the Issue of Rent Receipts (audit carried out in June 2020) and Cash Outflows (audit carried out in September 2020).
– Five recommendations (14%) were no longer applicable, mainly due to the introduction of Gesprojet project expense management software in January 2021.

• Conclusion

Following completion of the audit, KPMG found that SFL had done an outstanding job and exceeded expectations for this audit, having implemented the vast majority of the recommendations, including those made following recent audits that were not included in the scope of this audit.

iv) Purchases and contract tendering

• Objective

The purpose of this audit was to assess the contract tendering procedure for purchases of work, supplies or services, and to check the reliability of the existing process.

Under the tendering procedure, competing bids must be sought from at least three suppliers or contractors for contracts in excess of €100 thousand, and quotes must be obtained from at least three suppliers or contractors for contracts representing between €50 thousand and €100 thousand.

Strengths	*Recommended areas for improvement*
There is a clear written procedure, updated in June 2019, describing: – The scope and nature of the purchases concerned by the procedure. – The thresholds above which competing bids must be obtained. – The competitive tendering process. – The approach to be adopted. – Special cases where the procedure can be overridden. Relevant controls are applied, including: – The use of analysis grids for scoring competing bids or quotes. – Guidelines for determining whether the competitive tendering process can be overridden, specifying the different levels at which the override must be authorised. – Reviews of executive summaries explaining the final choice of supplier or contractor. A historical record of the suppliers and contractors consulted and their competing bids is stored on internal servers, or in hard copy depending on the department making the purchase.	Employees should be reminded of the threshold for applying the procedure and the requirement to fill out a standard form, as well as of the obligation to fill out a form requesting an authorisation to override the procedure, if applicable, before contacting suppliers or contractors. The supplier/contractor financial health checks required by the procedure should be evidenced in writing and the checks should be performed before the contract specifications are sent out. Employees should be reminded of the procedure concerning the opening of bids. The analysis grids used to rate supplier and contractor bids or quotes should be standardised, based on factors that are common to all departments. All documents related to calls for tenders should be stored electronically.

v) Credit and collection processes

• Objective

The objective of the audit was to obtain assurance concerning the reliability of credit and collection processes by examining the various key stages in the process and the related controls, in order to assess their relevance and operational effectiveness.

There are two risks associated with this process: (i) financial risk, corresponding to the risk that receivables will not be recovered, and (ii) fraud risk, corresponding to the risk of payments from irregular sources by certain tenants who could take advantage of inadequate receivables monitoring processes.

Strengths	*Recommended areas for improvement*
A clear written procedure exists for doubtful receivables and a procedure covering rent arrears is being prepared. Appropriate controls are in place to detect any anomalies, as follows: – Quarterly meetings are held to review and analyse rent arrears. – Provision rates are reviewed at monthly intervals by the corporate accounting team. – Monthly reconciliations are performed by the accounting department between the general ledger accounts and provisions for doubtful receivables. – A formal record is kept of decisions to write off receivables. SFL uses bailiffs and partner law firms to assist in the collection process.	The procedure should be updated to include a formal description of the second tier controls performed from time to time by the budget control department. Decisions made at the meetings held to review and analyse rent arrears should be recorded on an Excel spreadsheet based on an extract from the ESTIA system This document should be kept on a shared server. Comments should be added to the ageing analysis of rent receivables extracted from the system by the corporate accounting department, flagging receivables that have been classified as doubtful and explaining the reasons for the decision; this annotated ageing analysis should be kept on a shared server. All tenant dunning letters, including those sent by e-mail, should be stored in the management system, as well as all documents relating to contacts with bailiffs. All litigation documents (contact with a lawyer, summons) should be stored on a shared server or in a management system.

9. SFL and its Shareholders

9.1. Information about the Company's capital

9.1.1. Changes in capital over the last five years (2017-2021)

Date	Description	Issues			New capital	
		Number of shares issued	Par value	Gross premium	Total number of shares	New capital
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
2021	Cancelled	3,664,259	€2	–	42,864,715	€85,729,430

9.1.2. Ownership structure and voting rights at 31 December 2021

Main shareholders	Total shares	Total voting rights	% interest	% voting rights(1)
Inmobiliaria Colonial, SOCIMI, SA	***42,148,182***	***42,148,182***	***98.33%***	***98.59%***
Free float	602,370	602,370	1.40%	1.41%
SFL treasury shares	114,163	–	0.27%	–
Total	**42,864,715**	**42 750 552**	**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 2021 was €85,729,430.

To the best of the Company's knowledge, no arrangements exist that could lead to a change of control of the Company.

9.1.3. Changes in ownership structure and voting rights

	2018[1]		2019[1]		2020[1]		2021[1]	
Main shareholders	% interest	% voting rights[2]	% interest	% voting rights[2]	% interest	% voting rights[2]	% interest	% voting rights[2]
Inmobiliaria Colonial, SOCIMI, SA	**81.71%**	**82.19%**	**81.71%**	**82.11%**	**81.71%**	**82.02%**	**98.33%**	**98.59%**
. Predica	12.88%	12.96%	12.88%	12.94%	12.88%	12.92%	–	–
. Other subsidiaries	0.30%	0.30%	0.29%	0.29%	0.28%	0.29%	–	–
Sub-total Crédit Agricole group	**13.18%**	**13.26%**	**13.17%**	**13.23%**	**13.16%**	**13.21%**	**–**	**–**
Free float	4.52%	4.55%	4.64%	4.66%	4.75%	4.77%	1.40%	1.41%
Treasury shares	0.59%	–	0.48%	–	0.38%	–	0.27%	–
Total	**100%**	**100%**	**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 four years presented.

Disclosure thresholds

Changes in interests shareholders' disclosed to the Company since 1 January 2022
None

Changes in shareholders' interests disclosed to the Company in 2021

AMF notice 221C2002 of 5 August 2021

By letter received by the Autorité des Marchés Financiers on 5 August 2021, the Spanish company Inmobiliaria Colonial, SOCIMI, S.A. (Paseo de la Castellana, 52, 28046, Madrid, Spain) disclosed that on 4 August 2021 it had increased its interest to above the disclosure thresholds of 90% of the capital and voting rights and that it held 40,346,951 Société Foncière Lyonnaise shares representing the same number of voting rights (94.13% of the capital and voting rights[1]), as follows:

The disclosure threshold was crossed as a result of (i) the buyback and cancellation by Société Foncière Lyonnaise of some of the shares previously held by Predica and (ii) the contribution of Société Foncière Lyonnaise shares by Predica to Inmobiliaria Colonial (see D&I 221C1823 of 20 July 2021, the information memorandum [covered by AMF visa no. 21-340 of 20 July 2021] prepared by Inmobiliaria Colonial, SOCIMI, S.A. in support of the public tender offer for Société Foncière Lyonnaise shares and its press release dated 4 August 2021).

AMF notice 221-C2042 of 10 August 2021

In a letter received by the Autorité des Marchés Financiers on 10 August 2021, Crédit Agricole Assurances[2] (16-18 boulevard de Vaugirard, 75015 Paris) disclosed that on 4 August 2021 its interest in Société Foncière Lyonnaise held indirectly through Predica, a company it controls, had been reduced to below the thresholds of 10% and 5% of the capital and voting rights of Société Foncière Lyonnaise, and that it held indirectly, through Predica, 129,464 Société Foncière Lyonnaise shares representing the same number of voting rights (0.30% of the capital and voting rights[1]).

These disclosure thresholds were crossed as a result of (i) the buyback and cancellation by Société Foncière Lyonnaise of some of the shares previously held by Predica and (ii) the contribution of Société Foncière Lyonnaise shares by Predica to Inmobiliaria Colonial (see D&I 221C1823 of 20 July 2021, the press release issued by Inmobiliaria Colonial on 4 August 2021 and D&I 221C2002 dated 5 August 2021).

At the same time, Predica disclosed that its direct interest had also been reduced to below the same disclosure thresholds.

AMF notice 221C2241 of 1 September 2021

By letter received by the Autorité des Marchés Financiers on 31 August 2021, the Spanish company Inmobiliaria Colonial, SOCIMI, S.A. ("Colonial") (Paseo de la Castellana, 52, 28046, Madrid, Spain) disclosed that on 30 August 2021 it had increased its interest in Société Foncière Lyonnaise to above the disclosure thresholds of 95% of the capital and voting rights and that it held 42,148,182 Société Foncière Lyonnaise shares representing the same number of voting rights (98.33% of the capital and voting rights[1]).

The disclosure threshold was crossed as a result of the acquisition of Société Foncière Lyonnaise shares tendered to Colonial's simplified cash and paper offer.

Changes in interests disclosed to the Company in 2020
None

Changes in interests disclosed to the Company in 2019
None

(1) Based on a total of 42,864,715 shares and voting rights outstanding, in accordance with paragraph 2 of Article 223-11 of the AMF's General Regulations.
(2) Controlled by Crédit Agricole SA.

9.2. Share equivalents

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

9.3. Directors' interests

Directors at 31 December 2021	Number of SFL shares held as at 31 December 2021(1)
Juan José Brugera Clavero	14,575
Angels Arderiu Ibars	0
Ali Bin Jassim Al Thani	25
Carlos Fernandez-Lerga Garralda	0
Carmina Ganyet I Cirera	30
Carlos Krohmer	30
Arielle Malard de Rothschild	25
Luis Maluquer Trepat	0
Nuria Oferil Coll	25
Alexandra Rocca	0
Pere Viñolas Serra	0
Anthony Wyand	100
Total	**14,810**

(1) The Directors' Charter stipulates that each Director must disclose to the Company the shares held directly and indirectly, within the meaning of Article L.225-109 of the French Commercial Code.

9.4. Transactions carried out by top management and parties closely related to them during 2021

Acquisition of free shares under the Company's performance share plan

Disclosed by: Juan José Brugera Clavero, Chairman of the Board of Directors
Type of instrument: shares
Transaction date: 6 April 2021
AMF notification received: 6 April 2021
Market: Euronext Paris
Unit price: €0.00 *(share price: €62)*
Number of shares: 6,000

Disclosed by: Nicolas Reynaud, Chief Executive Officer
Type of instrument: shares
Transaction date: 6 April 2021
AMF notification received: 6 April 2021
Market: Euronext Paris
Unit price: €0.00 *(share price: €62)*
Number of shares: 20,000

Disclosed by: Dimitri Boulte, Managing Director
Type of instrument: shares
Transaction date: 6 April 2021
AMF notification received: 6 April 2021
Market: Euronext Paris
Unit price: €0.00 *(share price: €62)*
Number of shares: 16,000

Transactions carried out in connection with the simplified cash and paper tender offer initiated by Inmobiliaria Colonial, SOCIMI S.A. in 2021

(€46.66 and 5 Colonial shares exchanged for 1 SFL share, valuing SFL shares at €91.60 based on Colonial's share price on 2 June 2021).

Disclosed by: Predica, corporate director related to Najat Aasqui and Jean-Jacques Duchamp, directors
Type of instrument: shares
Transaction date: 4 August 2021
AMF notification received: 5 August 2021
Off-market transaction
Type of transaction: asset swap
Unit price: €1.00
Number of shares: 2,328,644
Transaction carried out in connection with Colonial's public tender offer for Société Foncière Lyonnaise shares. It corresponds to the contribution of Société Foncière Lyonnaise shares by Predica to Colonial, in exchange for 22,494,701 Colonial shares issued for this purpose.

Disclosed by: Predica, corporate director related to Najat Aasqui and Jean-Jacques Duchamp, directors
Type of instrument: shares
Transaction date: 4 August 2021
AMF notification received: 5 August 2021
Off-market transaction
Type of transaction: asset swap
Unit price: €1.00
Number of shares: 3,664,259
Within the framework of the SFL share buyback programme authorised in the 14th ordinary resolution of the Annual General Meeting of 15 April 2021, SFL bought back 3,664,259 of its own shares from Predica in exchange for: (i) two hundred and six thousand nine hundred and ninety-one (206,991) shares in SCI Paul Cézanne, registered in the Paris Trade and Companies Register under number 438 339 327, and (ii) six hundred and ninety-two (692) shares in SCI 103 Grenelle, registered in the Paris Trade and Companies Register under number 440 960 276.

Disclosed by: Inmobiliaria Colonial, SOCIMI S.A., corporate director related to Pere Viñolas Serra, director
Type of instrument: shares
Transaction date: 4 August 2021
AMF notification received: 6 August 2021
Off-market transaction
Type of transaction: Contribution of SFL shares held by Predica to Inmobiliaria Colonial, SOCIMI, S.A.
Unit price: €0.00
Number of shares: 0
This disclosure results from (i) the buyback and cancellation by Société Foncière Lyonnaise of some of the shares previously held by Predica and (ii) the contribution of Société Foncière Lyonnaise shares by Predica to Inmobiliaria Colonial. The SFL shares contributed by Predica were swapped for Colonial shares on the basis of 9.66 Colonial shares (ex-dividend) for 1 SFL share (ex-dividend). These transactions were performed based on a ratio calculated using the EPRA Net Disposal Value at 31 December 2020 (adjusted for dividend payouts in respect of 2020).

Disclosed by: Juan José Brugera Clavero, Chairman of the Board of Directors
Type of instrument: shares
Transaction date: 31 August 2021
AMF notification received: 1 September 2021
Market: Euronext Paris
Type of transaction: contribution
Unit price: €0.00
Number of shares: 16,200
Shares tendered to Colonial's simplified cash and paper offer (€46.66 in cash and 5 Colonial shares for 1 SFL share).

Disclosed by: Nicolas Reynaud, Chief Executive Officer
Type of instrument: shares
Transaction date: 30 August 2021
AMF notification received: 1 September 2021
Market: Euronext Paris
Unit price: €0.00
Number of shares: 31,486
Shares tendered to Colonial's simplified cash and paper offer (€46.66 in cash and 5 Colonial shares for 1 SFL share).

Disclosed by: Dimitri Boulte, Managing Director
Type of instrument: shares
Transaction date: 30 August 2021
AMF notification received: 1 September 2021
Market: Euronext Paris
Type of transaction: contribution
Unit price: €0.00
Number of shares: 24,721
Shares tendered to Colonial's simplified cash and paper offer (€46.66 in cash and 5 Colonial shares for 1 SFL share).

Disclosed by: Luis Maluquer Trepat, Director
Type of instrument: shares
Transaction date: 31 August 2021
AMF notification received: 1 September 2021
Market: Euronext Paris
Type of transaction: contribution
Unit price: €0.00
Number of shares: 400
Shares tendered to Colonial's simplified cash and paper offer (€46.66 in cash and 5 Colonial shares for 1 SFL share).

Disclosed by: Pere Viñolas Serra, Director
Type of instrument: shares
Transaction date: 31 August 2021
AMF notification received: 1 September 2021
Market: Euronext Paris
Type of transaction: contribution
Unit price: €0.00
Number of shares: 5,325
Shares tendered to Colonial's simplified cash and paper offer (€46.66 in cash and 5 Colonial shares for 1 SFL share).

Disclosed by: Inmobiliaria Colonial, SOCIMI, S.A., corporate director related to Pere Viñolas Serra, director
Type of instrument: shares
Transaction date: 31 August 2021
AMF notification received: 1 September 2021
Market: Euronext Paris
Type of transaction: Share purchase
Unit price: €0.00
Number of shares: 1,801,231
Acquisition of 1,801,231 SFL shares tendered to Colonial's simplified cash and paper offer (€46.66 and 5 Inmobiliaria Colonial shares for 1 SFL share).

9.5. Employee share ownership at 31 December 2021

As of 31 December 2021, 65,353 SFL shares were held by employees, representing 0.152% 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

At its meeting on 24 June 2021, the Supervisory Board of the FCPE ACTIONS SFL decided to sell all of the 10,066 SFL shares held by the fund, without participating in the simplified cash and paper offer planned by Inmobiliaria Colonial.

Following this transaction, on 24 September 2021, FCPE ACTIONS SFL was merged into another fund that does not hold any SFL shares.

9.6. Transactions in SFL shares carried out by the Company

9.6.1. Stock options granted to and exercised by the Chairman, the Chief Executive Officer and the Managing Director in 2021

No stock options were granted to or exercised by the Chairman, the Chief Executive Officer or the Managing Director in 2021. The last stock option plan expired on 12 March 2015, at the end of the options' eight-year life (see Appendix 14.1, page 86).

9.6.2. 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 11 February 2021, the Board of Directors drew up the list of performance share recipients for 2021 and decided to award 66,920 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 14.2 (page 87 *et seq.*).

9.6.3. Share buyback programme

The Annual General Meeting of 15 April 2021 (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 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, pursuant to the authorisation to cancel shares acquired under the buyback programme given by the Annual General Meeting of 15 April 2021.
– And, more generally, to carry out any transaction leading to an obligation to deliver shares that is permitted or that may be authorised by the applicable regulations.

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

Under this authorisation, and in accordance with the terms of the Sale and Exchange Agreement entered into by the Company and Predica on 3 June 2021, which was part of a broader transaction in SFL shares by Colonial, SFL bought back 3,664,259 of its own shares (8% of its capital) from Predica with a view to reducing its capital by cancelling the shares.

Following this transaction, on 4 August 2021 SFL's capital was reduced from €93,057,948 (46,528,974 shares) to €85,729,430 (42,864,715 shares) (see section 2.1.4 on pages 7 and 8).

At 31 December 2021, the Company held 114,163 shares in treasury, representing 0.27% of the capital.

These shares were purchased for the following purposes:
1. For allocation to SFL Group employees: 66,504;
2. For purchase and sale transactions under a liquidity contract with an investment firm: 2,368;
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: 22,008;
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 cancellation: 3,664,259.

The Board of Directors has decided to present a resolution at the Annual General Meeting of 7 April 2022, authorising the Company to implement a share buyback programme based on a maximum price of €110 per share (twelfth 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 2021, the authorisation would concern the buyback of up to 4,286,471 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 15 April 2021, 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 first extraordinary resolution of the Annual General Meeting of 7 April 2022 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 authorized 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.

9.6.4. Summary of disclosures: Disclosure of treasury share transactions for the period from 1 January 2021 to 31 December 2021

Percentage of capital held by the Company and/or its subsidiaries	0.27%
Number of shares cancelled in the last 24 months:	3,664,259
Number of shares held:	114,163
Carrying amount of the shares:	€6,942,002.50
Market value of the shares (at 31 December 2021):	€8,927,546.60

	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	11,196	9,203	–	–	–	–
Average maximum maturity	–	–	–	–	–	–
Average transaction price	€69.29	€67.24	–	–	–	–
Average exercise price	–	–	–	–	–	–
Amount	€775,819.08	€618,854.42	–	–	–	–

(1) Transactions under the liquidity contract.
These movements do not include the buyback and subsequent cancellation of 3,664,259 shares described in section 9.6.3.
Not including the 63,648 vested performance shares that were allocated under Plan no. 5 set up by decision of the Board of Directors on 20 April 2018.

Transaction costs under the liquidity contract amounted to €26,800 in 2021.

9.7. Disclosure thresholds

Paragraph IV 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 in 2021 under the disclosure threshold procedure are presented in section 9.1.3 "Changes in ownership structure and voting rights", page 36 of this report.

9.8. Dividends paid in the last three years

9.8.1. 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 2021 financial statements, the Board of Directors will recommend paying a dividend of €4.20 per share.

9.8.2. 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:

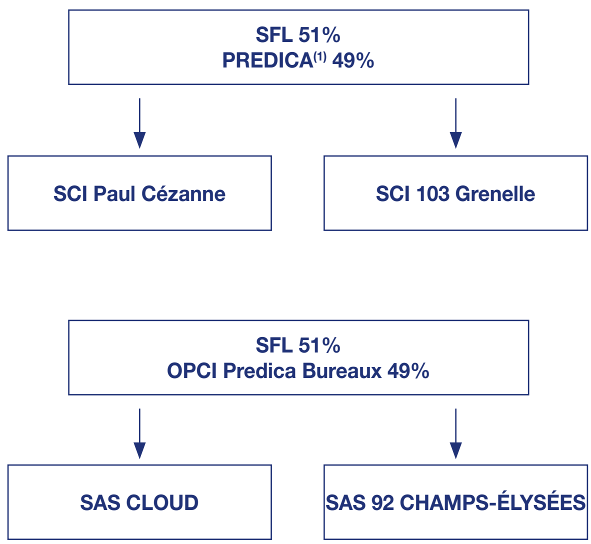
Year	Dividend per share	Portion of the dividend qualifying for the 40% tax allowance	Portion of the dividend not qualifying for the 40% tax allowance for shareholders residing in France	Portion of the dividend classified as a return of capital	Total dividend[1]
2018	€2.65	–	€2.65	–	€123,301,781.10
2019	€2.65	€0.28	€2.37	–	€123,301,781.10
2020	€2.10	€0.0582	€0.8929	€1.1489	€97,710,845.40

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

10. Partnerships

On 4 August 2021, SFL entered into two shareholders' agreements with Predica and two shareholders' agreements with the OPCI Predica Bureaux fund created for this purpose by Predica.

The four new agreements are as follows:



The agreements have identical terms.

(1) Life insurance subsidiary of Crédit Agricole Assurances.

The agreements' change of control clauses are as follows: In the event of a change of control of one of the parties, the other party may:
– approve the change of control; or
– decide to purchase all of the shares and the current account advance held by the partner that is subject to the change of control, or
– decide to sell all of the shares and the current account advance to the partner that is subject to the change of control.

At the same time, the two shareholders' agreements previously entered into with Predica concerning SCI Washington (66%-owned by SFL and 34% by Predica) and SAS Parholding (50%-owned by SFL and 50% by Predica) were terminated.

11. Shareholders' Agreements

There are no shareholders' agreements between SFL's main shareholders. As of 31 December 2021, SFL was 98.33%-owned by Inmobiliaria Colonial, SOCIMI, S;A.

12. 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 (€m)
2021	January	68.00	62.80	38,873	2.531
	February	66.00	62.60	14,095	0.904
	March	64.60	60.60	20,297	1.275
	April	64.00	60.40	25,037	1.560
	May	64.00	59.00	29,017	1.792
	June	92.80	62.40	573,588	52.091
	July	91.60	87.40	214,093	19.353
	August	93.60	84.60	138,418	12.695
	September	89.00	71.20	11,561	0.906
	October	87.80	71.60	8,065	0.639
	November	78.60	76.40	1,471	0.114
	December	80.60	77.20	2,557	0.202
2022	January	84.00	77.20	5,289	0.427
	February	88.60	82.00	3,325	0.283

13. 2021 Non-Financial Information Statement

Introduction

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

The global health crisis that emerged in 2020 and persisted throughout 2021 impacted the use of offices and continued to raise questions about their role, while spurring faster development of certain technologies and the recognition of rapidly shifting property user expectations.

Today, SFL is reaffirming its positioning in the prime segment of the Parisian office market. In an environment that has accelerated a certain number of social and urban trends, SFL 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 ten years now.

Today, a new policy has been defined, shaped by our active attention to the emerging expectations of our tenants, our employees, our shareholders and our partners. Its meaning is further informed by the four core pillars that structure our pragmatic, highly effective action plans.

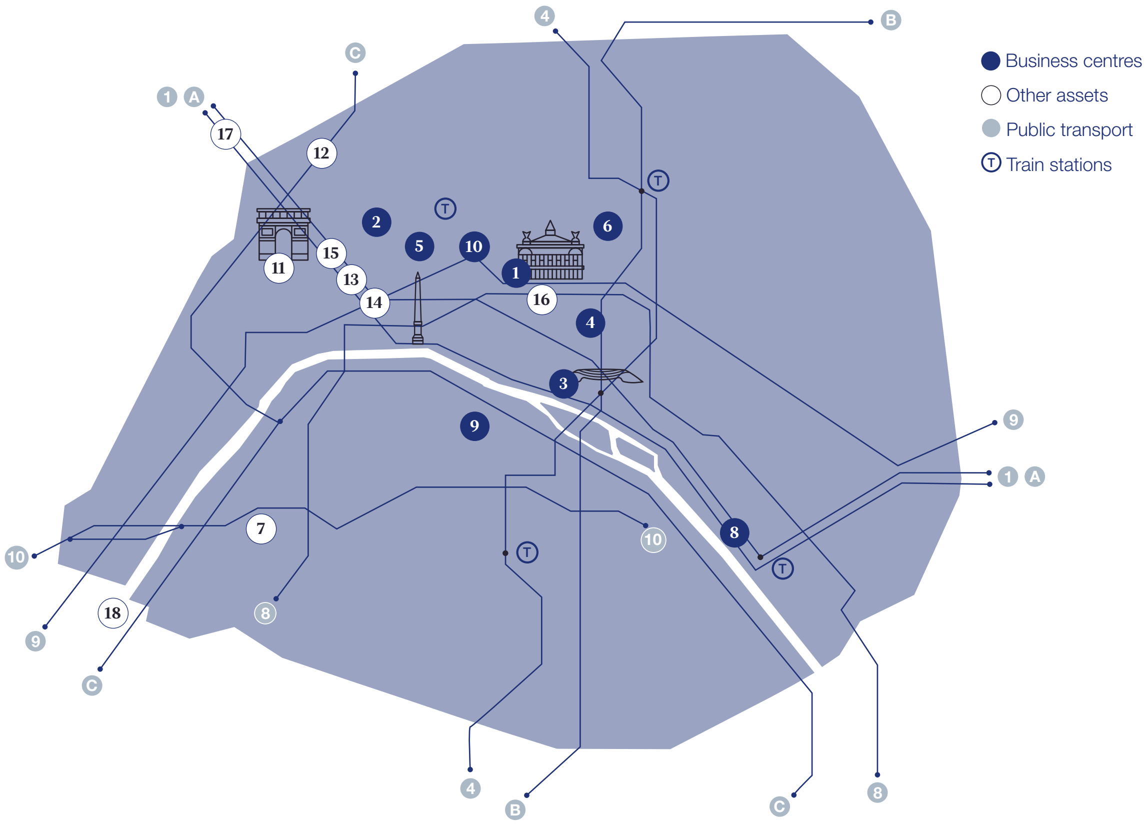
SFL is a property company focused on prime office real estate. At 31 December 2021, our portfolio comprised 18 assets (79% offices, 20% retail units and a hotel and 1% residential units by value), whose physical occupancy ratio stood at 98%. Our tenants represent the highest value-added per employee in their industries.

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.

All of the buildings are located a few minutes walk from a public transport station, in the thriving business districts of Paris, Neuilly-sur-Seine and Issy-les-Moulineaux. The consistently seamless functionality and architectural beauty of these assets stem from regular commitment of major capital investments to meet the expectations of the market's most demanding tenants, 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.

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.



THE SFL PORTFOLIO: 380,800 SQ.M.

	Paris	Total surface area(1)
1	Édouard VII	54,100 sq.m.
2	Washington Plaza	48,200 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	6 Hanovre	4,600 sq.m.
	Total	**367,100 sq.m.**

	Western Crescent	Total surface area(1)
17	176 Charles de Gaulle *Neuilly-sur-Seine*	7,400 sq.m.
18	Le Vaisseau *Issy-les-Moulineaux*	6,300 sq.m.
	Total	**13,700 sq.m.**

● Paris Central Business District
○ Rest of Paris
● Western Crescent

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

1. Our ambition: fostering the desire to work together

As Europe's oldest property company, with a rich history spanning more than 140 years, SFL has learned that real estate and its projects are a long-term process, with timelines of up to five or ten years from design engineering to tenant delivery. While the immutable goal is to create spaces that embody the desire to work together, the ways to achieve this can be adjusted, enhanced and realigned in response to societal and sociological change.

This is why it is critically important to set up innovation and planning platforms that enable real estate industry professionals to identify emerging trends. One example is our annual Paris Workplace survey, which reveals that the office is no longer just a place to work, but rather a place to connect, share and create, where corporate culture and collective intelligence is nurtured, and where employee engagement is fostered.

While employees can now work almost anywhere, thanks to new technologies and the flexibility offered by more widespread work-from-home arrangements, only a physical office enables companies to project their image to customers and employees, thereby acting as a catalyst in creating employer appeal and a key asset for retaining talent.

One of the major findings of the eighth annual Paris Workplace survey was that employees want to feel that the quality of their offices is aligned with their personal commitments. In particular, awareness of CSR issues has increased significantly in recent years, as seen in a clear concern for waste sorting, energy efficiency, soft mobility options, etc. Employees now expect their offices to have the same positive impact on the environment and society as they hope to have as individuals. This means that an office building's CSR features are no longer minor or anecdotal considerations, and that "offices with impact" are being embraced by a growing number of employees.

While the younger generations are the most conscious of the matter, employees of all ages are becoming more demanding of their employers and want to see tangible proof of sustainable practices, particularly with regard to their offices. When employees are proud of their offices and of the commitments upheld, their engagement and well-being increase.

SFL has been working in this direction for many years, while creating a large community of like-minded construction companies, utilities and amenities operators, and other partners.

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.

REVITALISE AND REINVENT THE CITY

We want to do our part in 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.

- **Urban footprint**
- **Location & accessibility**
- **Building resilience**

OFFER OUR USERS COMFORTABLE, FLEXIBLE, CONVIVIAL WORKING ENVIRONMENTS

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.

- **Convenience & amenities**
- **Certifications & labels**
- **Tenant relations & satisfaction**

PROJECT OURSELVES INTO A LOW-CARBON FUTURE

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.

- **Low-carbon strategy**
- **Circular economy**
- **Biophilia**

ENCOURAGE ENGAGEMENT BY OUR EMPLOYEES AND PARTNERS

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.

- **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.

In 2021, the worldwide business environment was shaped by the same deep uncertainty as in 2020, as well as by the quickening pace of change in building usage and municipal services. However, it also revealed the strengths of SFL's resilient property portfolio, capable of effectively responding to new expectations even as they emerged and evolved 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
Reinvent 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, 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

Equally divided among the four pillars of our CSR commitment, the 12 objectives for 2030 align our initiatives with the global objectives being pursued by leading sustainability organisations.

They are also the pragmatic, yet ambitious goals that are guiding the management of our initiatives over the shorter and medium terms.

Performance towards these objectives is regularly monitored by the Management Committee and the Board of Directors and guided by dedicated action plans.

Pillar	Issue	Primary 2030 objective	2021 outcomes
Revitalise and reinvent the city	Urban footprint	100% of projects subject to in-depth historical heritage impact assessments	100%
	Location & accessibility	100% of office assets located less than a ten-minute walk from a metro/tram station	100%
	Building resilience	100% of assets subject to vulnerability assessments and having the necessary prevention and compliance measures in place	• Vulnerability assessments completed • Prevention and compliance measures to be defined and quantified
Offer our users comfortable, flexible, convivial working environments	Convenience & amenities	100% of business centres served by prime amenities	100%
	Certifications & labels	100% of projects and office assets in-use certified	100%
	Tenant relations & satisfaction	>85% of tenants satisfied	95%
Project ourselves into a low-carbon future	Low-carbon strategy	70% reduction in kgCO_2e/sq.m. (Scopes 1 & 2) in 2030 vs. 2017	22% reduction from 2017 to 2021
		40% reduction in kWh/sq.m. in 2030 vs. 2015	17% reduction from 2017 to 2021
	Circular economy	Zero final waste from buildings in-use or under development	Percentage of waste recovered • Buildings in use: 87% • Redevelopment projects: 98%
Encourage engagement by our employees and partners	Employer appeal, skills development & diversity	>2.5% of payroll spent on training	2.3% Many training sessions were postponed due to the health situation
	Health, safety & quality of worklife	100% of employees surveyed on the quality of worklife every year	100%
	Ethics in the value chain	100% of employees, contractors and suppliers covered by an Ethics Code of Conduct	Ethical commitments to be shared more formally with our partners

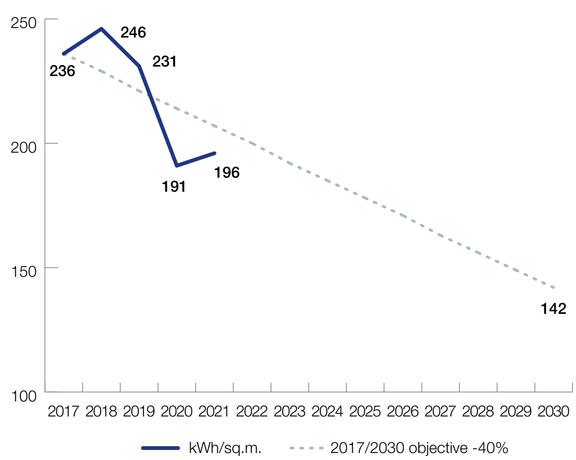
2.1. Significant events of the year

- The prime office model demonstrated its resilience and the "Paris Workplace 2021, Offices with Impact" survey strengthened our belief that offices have a role to play in ESG performance.
- We continued to define an increasingly ambitious carbon pathway for each asset, improved our knowledge of our overall carbon footprint and earned SBTi certification for our 1.5°C objective.
- Mobility-related initiatives included adding soft mobility service areas.
- All of the assets in-use were certified.
- The environmental data processing platform, where the digital transition converges with the real estate business, is being 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.

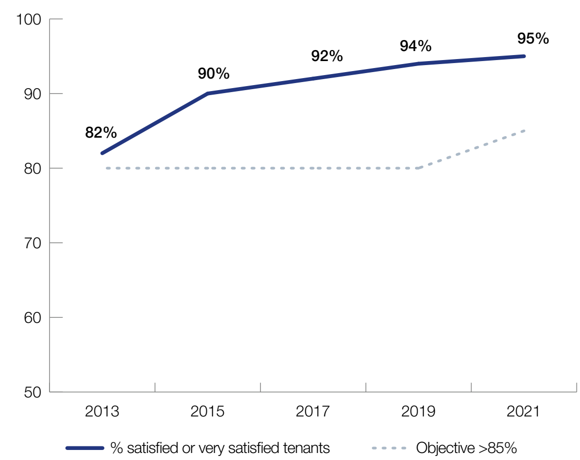
These achievements helped to drive progress towards the main objectives during the year.

- Energy use intensity and carbon intensity saw like-for-like reductions of 17% and 22% respectively from 2017 to 2021. The new target of reducing carbon intensity by 70% between 2017 and 2030, in absolute terms, is a compelling example of SFL's bold ambition.
- SFL office user satisfaction has improved steadily since 2013, with 95% 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 2.3% in 2021, as certain sessions had to be cancelled while others were held online.

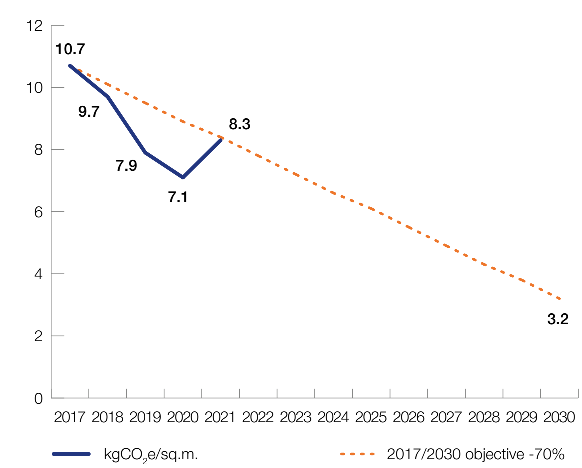
ENERGY INTENSITY IN KWH/SQ.M. – ABSOLUTE



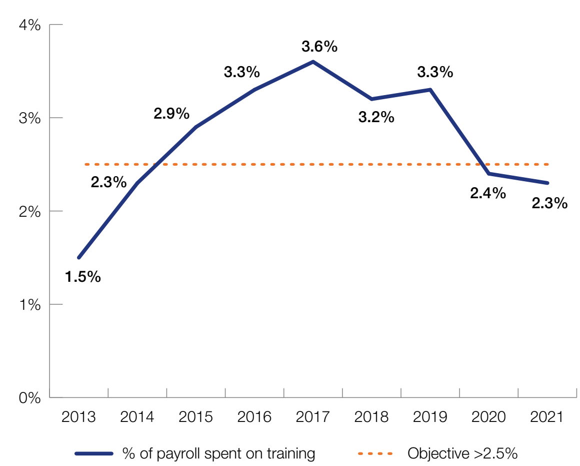
% OF TENANTS SATISFIED



CARBON INTENSITY IN KGCO$_2$E/SQ.M. – ABSOLUTE



% OF PAYROLL SPENT ON TRAINING



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

Very early adoption of Building Research Establishment Environmental Assessment Method (BREEAM) certification for redevelopment projects and BREEAM In-Use certification for properties in-use: 100% of projects and assets in-use certified since 2012.

GRESB

In 2021, the Global Real Estate Sustainability Benchmark (GRESB) awarded SFL the Green Star designation for the tenth year in a row, with scores of:
- 92/100 in the Standing Investments benchmark;
- 95/100 in the Development benchmark.

EPRA

SFL complies with the recommendations issued by the European Public Real Estate Association (EPRA) for its CSR reporting. Two Gold Awards, in Sustainability and Finance Best Practices Recommendations, were received in 2021. Sustainability and Finance Best Practice Recommendations.
EPRA-format indicators are presented in each of the relevant sections of this report and in section 7.5.

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. 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.

Half of the portfolio assets have been redeveloped over the past decade, with several iconic projects initiated or completed in recent years, attesting to our deep commitment to offering products that are increasingly in phase with an ever-changing society.

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

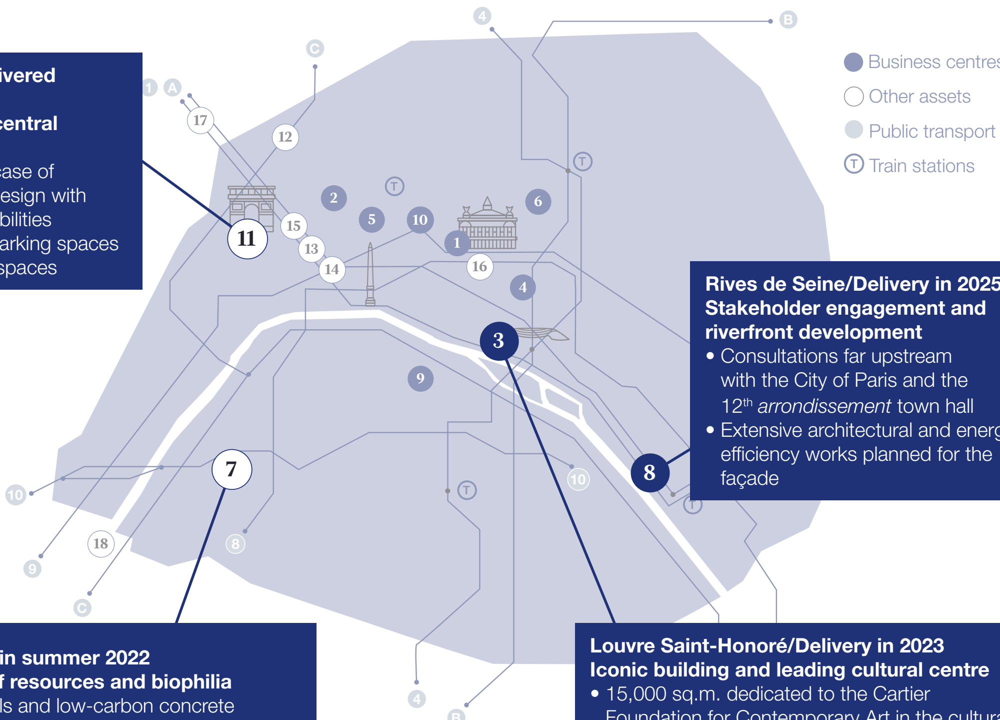
Given its strategic positioning in Paris and the inner suburbs, SFL is committed to reinventing its existing assets and developing new properties by, on the one hand, embracing their history and original architecture, and on the other, by taking a very ambitious approach to improving their sustainability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

When defining an asset redevelopment programme, in-house teams work closely with the above-mentioned architects and stakeholders to preserve as much of the existing structure as possible, in a commitment to safeguarding the transformed building's surroundings by minimizing demolition and new construction. Retaining suitable structural works avoids the environmental impact of the demolition and new construction works that until recently were standard practice in Parisian real estate projects. In the same way, revealing the existing structure's underlying quality and ensuring that it can accommodate new uses enables SFL to minimise environmental impacts while enhancing the multi-use flexibility of the transformed buildings.

By engaging with local authorities and municipal 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 local cityscape.

Four redevelopment projects emblematic of SFL's urban planning expertise

83 Marceau/Delivered end-2021
Mixed use and central location
- Stunning showcase of contemporary design with mixed use capabilities
- Conversion of parking spaces into public-use spaces



Rives de Seine/Delivery in 2025
Stakeholder engagement and riverfront development
- Consultations far upstream with the City of Paris and the 12th *arrondissement* town hall
- Extensive architectural and energy efficiency works planned for the façade

Biome/Delivery in summer 2022
Judicious use of resources and biophilia
- Reused materials and low-carbon concrete
- Extensive landscaping and greenery

Louvre Saint-Honoré/Delivery in 2023
Iconic building and leading cultural centre
- 15,000 sq.m. dedicated to the Cartier Foundation for Contemporary Art in the cultural epicentre of Paris

3.1.1. Heritage and architectural quality

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.

This is why before any project gets under way, an in-depth heritage impact assessment is conducted in partnership with the Grahal consultancy 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, project architects and design engineers interact with a 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.

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 Dominique Perrault, Ateliers Jean Nouvel, Jouin Manku, Ana Moussinet and Philippe Chiambaretta.

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. This collaborative interaction may be illustrated by the three leading SFL works projects currently under way:

- The reinvention of the **Louvre Saint-Honoré** building, a legendary Paris property that 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, the Louvre des Antiquaires mall. It will soon emerge in a new incarnation with the letting of 15,000 sq.m. (of which 7,000 sq.m. of exhibition space) to the Cartier Foundation for Contemporary Art. Designed by Ateliers Jean Nouvel, the 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 700 sq.m. of housing space, 400 sq.m. of co-working space and a 1,000 sq.m. business centre open to the public.

SFL is also 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. In this way, SFL is seeking to promote new uses for the underground floors or rooftops in its buildings, made possible by:
– The ability to bring natural light into previously artificially lit areas: 92% more naturally lit space in Biome.
– The emergence of new mobility systems and the correlative decrease in the need for parking spaces: 65% fewer car parking spaces and 120 additional bicycle racks at 83 Marceau.
– Recovering and repurposing the roof by landscaping areas, relocating rooftop utility installations and introducing terraces accessible to tenants and the public: 83 Marceau now offers an outstanding terrace overlooking Place de l'Étoile, and Biome's existing rooftop utility areas will be transformed into accessible landscaped terraces.

3.1.2. An engaged citizen of the city

Dialogue and engagement lie at the heart of our strategy. SFL supports a project governance system involving elected officials and local authorities during the project design phase and neighbouring communities during the works phase.

Local residents can follow project updates and works progress through a variety of dedicated information and communication media, such as a website, an on-site project information office and regular newsletters.

SFL is also committed to creating local jobs, in particular through agreements with building contractors to maximise local hiring. 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.

These multifarious interactions enable our projects to evolve naturally in increasingly harmonious alignment with their environment and the cityscape.
– Local residents were engaged far upstream in the Biome redevelopment project, even before the administrative permits were obtained. Since the project broke ground, around fifteen information meetings have been organised, despite the health crisis, in conjunction with local 15th *arrondissement* council members, the City of Paris and community associations. During each one, the architects and SFL development teams presented the project and the changes made in response to the clearly expressed expectations of residents (creation of housing and additional landscaped areas).
– 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. The installation of one of the world's largest contemporary art foundations, covering more than 15,000 sq.m, will reassert the building's central position in the cultural epicentre of Paris.
– At 83 Marceau, SFL continued to enhance and repurpose spaces by installing a brand-new public-access conference hall and meeting room area covering nearly 2,000 sq.m.
– At Rives de Seine, an architectural design competition based on mutually agreed specifications was organised with the City of Paris, the 12th *arrondissement* town hall, the Urban Planning Department and the Pavillon de l'Arsenal association. These stakeholders chose the winning team together, ensuring that its design offered the best response to the expressed needs.

3.2. Location and access

Employees feel that the primary criterion for their well-being is the location of their workplace and with it their commute time. In fact, workplace location has increasingly become a criterion as important as salary when considering a job offer. 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. SFL's assets are located in the Central Business District, near the major Paris train stations and hubs (#cloud.paris and Rives de Seine, for example) and in the new mixed-use neighbourhoods such as the 9th *arrondissement* (Condorcet) the 7th *arrondissement* (103 Grenelle) and the 15th *arrondissement* (Biome). These neighbourhoods are highly mixed-use (shops, cultural venues, housing) and enjoy top-quality transit 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 98% of in-use space wheelchair-accessible. In addition, every new redevelopment project is designed in compliance with the latest accessibility standards.

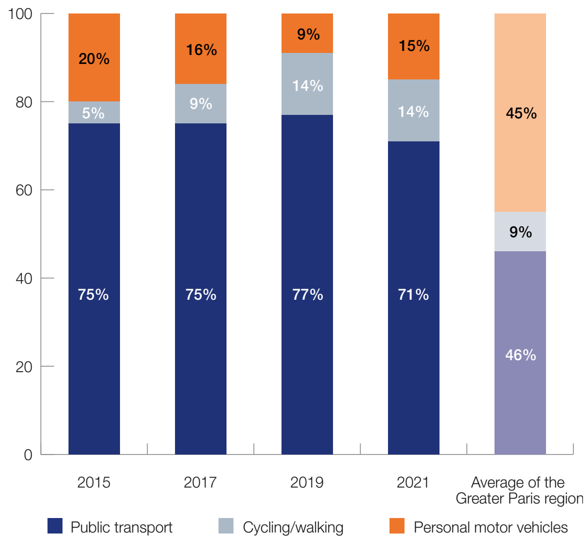
3.2.1. Offices that are exceptionally well served by public transport

All of SFL's assets are easily accessible by public and alternative transport, and all are located less than a 10-minute walk from a metro or tram station.

This outstanding proximity is directly reflected in the ways in which office users commute to and from work. In late 2021, for example, the latest satisfaction survey showed that 71% of them commute by metro, tram, train or RER, and 14% drive in by car, motorcycle or scooter, or take a taxi. Lastly, 15% of users cycle or walk to work, a percentage that has risen sharply since 2015.

The latest satisfaction survey shows that, thanks to our strategic focus on asset location, our tenants and users have an average commute of 5 to 45 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

Driven by the growing awareness of the environmental impact of travel, the prevailing health situation, the expanding range of transport options and the transit-related policies being pursued by the City of Paris and the Greater Paris regional authorities, new forms of mobility have emerged in recent years, which are gradually changing the way office users commute and get around the city. SFL pays particular attention to these emerging forms of urban mobility and listens carefully to what tenants have to say about their mobility needs.

On the Biome and 83 Marceau redevelopment projects, for example, outstanding public transit access meant that the number of car parking spaces could be significantly reduced, by 60% at Biome and 65% at 83 Marceau. In turn, this enabled the creation of bicycle racks (120 at 83 Marceau and 270 at Biome) and the installation of EV charging points.

This strategy is also being deployed in the in-use properties. Five assets have already installed EV charging infrastructure and three others are scheduled to be equipped.

At Washington Plaza, a works programme has been undertaken to design a service area dedicated to soft mobility. In particular, several hundred bicycle racks are planned, along with all the facilities needed to encourage their use (showers, changing rooms, repair stations, etc.). Similar installations will be deployed in other properties in the future.

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

2021 brought into sharp focus the importance of an investment's location and the quality of its underlying real estate asset. The increasing prevalence of working from home one or two days a week is prompting companies to review their office organisation and facilities. Consequently, there is a critical need to invest in projects that are adaptable, flexible and scalable in response to the needs or demands of our tenants and prospects, while also offering solutions to mobility issues.

Tenants and prospects are looking for a number of features:
- very well located premises, close to transport hubs;
- floorplates with few structural obstacles, so that a variety of working organisations can be deployed, then upgraded and adjusted throughout the lease; a comfortable user experience and natural light are both highly sought after;
- the ability to fit out convertible or shareable meeting, co-working, socializing or discussion spaces, to avoid restricting them to a single purpose only for occasional use;
- a broad array of suitable amenities, in particular to create shared spaces and avoid multiple amenities of the same kind in the tenant areas;
- the proven ability to meet the highest technical and environmental standards.

More than ever, our strategy of consistently investing in sustainable buildings is proving its worth. The hierarchy of decision-making criteria among large tenants in the Paris office market has shifted towards more demanding standards, particularly for environmental and technical performance.

The office is becoming a powerful hub for acculturation that has to reflect the values of the company and the image it wishes to convey to customers and employees. But it also enables a company to reduce inequalities, particularly as regards an employee's residence and personal situation, and respond to the expectations of younger employees (under 35), who express a strong need for social connections and a sense of belonging. For example, 49% of under 35s say that they go to the office primarily to socialize with their co-workers, 42% to work more efficiently and 33% to work together on projects (IFOP study - Paris Workplace - 2021 survey).

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. In addition, 71% of employees say that, if they had the choice, they would prefer a mixed-use neighbourhood with offices and housing to a business district comprising mainly offices (IFOP study - Paris Workplace - 2021 survey).

The quality of a building is increasingly judged by its ability to be upgraded to meet more demanding tenant requirements and tighter regulatory and environmental standards.

This sustainability will be a source of value creation in the medium- to long-term. A building's specific technical and architectural features are major vectors of transformation analysed in all our acquisition projects, as is the medium-term possibility of earning the environmental certifications that now underpin most relocation decisions by companies based in the Greater Paris region and our own commitment to meeting the objectives set in France's commercial real estate energy savings decree.

Our investments and research are also very much focused on the tenant journey, the user experience and the satisfaction they give. The bar has therefore been set very high at every level to meet these expectations, and investment campaigns are regularly implemented to stave off obsolescence and revitalize facilities. Our annual opinion poll and biannual tenant survey are invaluable sources of inspiration not only for improving our managed properties and our refurbishment projects, but also for guiding our investment choices. For example, a building's critical mass and potential for expansion can be leveraged to integrate new practices that encourage facilities sharing and mixed use, which will ultimately enhance the tenant experience.

The deal origination process, followed by careful asset management, enables us to grow the revenue and value of our assets until they reach maturity. Early in the year, two liquid, mature assets (112 Wagram and 9 Percier) were sold to capitalise on a buoyant market and lock in all the value created by our teams. The disposals will enable us eventually to reinvest the proceeds in market opportunities as they arise.

3.3.2. Monitoring climate risks

The resilience of SFL's assets also includes their ability to cope with the effects of climate change, particularly the gradual rise in temperatures and the resulting increase in the number of extreme weather events.

In 2018, these physical climate change risks were analysed according to ADEME recommendations to measure possible vulnerabilities in the asset portfolio, proactively plan for the potential impacts on operations and, in this way, guarantee the quality of the tenant experience.

As part of this process, SFL's 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 the assets whose operations are directly managed by SFL, may lead to the implementation, on an asset-by-asset basis, of additional adjustment measures integrated into their capital expenditure plans.

The average increase in the Earth's temperature has been identified as one of the main risk factors. In particular, it could lead to higher energy use in HVAC systems and possible new capital projects to ensure building utilities are appropriately sized.

Recent years, and particularly 2020, have been the hottest on record in France and 2018 and 2019 saw serious summer heatwaves in the Paris region. 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 seems to have been successful, as there were no reports of negative feedback.

3.3.3. Risk management systems and response measures

Every day, 20,000 employees can 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.

Over the past two years, SFL has 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. Preventive actions were deployed and building operations were maintained in accordance with the strictest health standards without any difficulty, demonstrating the resilience of our assets in fast-evolving circumstances and the sound design and operation of their utilities.

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 supporting highly precise tracking and driving a steady improvement in outcomes. As part of this process, periodically and at least once a year, a technical review is conducted of the actions undertaken or planned in each asset, with the results reported to Executive Management.

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

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 development 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 2021, 13 of the 14 directly managed assets in-use, representing 93% of total square metres, 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

The organisation of our in-house teams and contractors is helping us to optimise our tenant intelligence and align our offering more closely with expectations, thereby validating our strategic focus on properties with a high utility value. 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 objective is to define just the right way to use the space, depending on the tenant and the specific features of the building and the surrounding neighbourhood. In addition to designing maximum floor plate flexibility compatible with a vast array of organisational layouts, we strive to develop highly user-friendly common spaces that foster creativity in our multi-tenant buildings so that we can serve a full range of tenant communities.

In 2021, 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 1,600 respondents, these urban workplace surveys revealed important information that is helping to shape how we look at employee expectations. In the case of working practices, for example, it is clear that the crisis brought to the surface some deep-rooted employee demands, for empowerment and self-management first of all, but also for trust. There is also a demand for spaces that are more aligned with emerging workstyles and a real desire to connect after months of uncertainty and a hit and miss social life.

In this way, the office has a social impact, in that it is no longer just a place to work but rather a place with a much broader meaning. 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

The office remains a major, direct contributor to an employer's brand, an observation that has been increasingly noted with every new survey. Whereas in 2017 only 34% of young people said that the office was an important factor in their decision to join a given company, today 68% – twice as many – feel this way.

Clearly the office is becoming the new corporate manifesto, to the extent that, to paraphrase a well-known saying, "show me your offices and I'll tell you who you are" holds true.

Moreover, the health crisis has prompted the emergence of a number of underlying trends. After noticing that people brought their working habits home, we are now observing a movement in the opposite direction, as employees bring their personal beliefs and commitments (particularly societal and environmental convictions) back to the office. This is particularly true of the more engaged under-35 generation, which is often described as being "in search of meaning." Because they lie at the heart of this "war for talent", and their habits, expectations and demands will shape medium-term trends, these younger employees deserve special attention.

SFL endeavours to build and develop connections within its buildings by creating porous boundaries between tenant and common areas, which enables multi-tenant properties to offer the amenity spaces actively sought after by the under-35s. In conclusion, during our renovations and refurbishments, we invest to deliver maximum flexibility and operating efficiency in the tenant areas, so that tenants can then use these spaces as they see fit, and we revamp the common areas to foster user well-being and pave the way for the installation of new amenities.

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. This organisational efficiency, which can be likened to a building's frame, is a primary objective in every major redevelopment project. Once it is in place, subsequent redevelopments can be completed using fewer resources.

The comparison between the 83 Marceau and Cézanne Saint Honoré projects offers a compelling example. At 83 Marceau, the largely out-of-date 1970s-era frame was thoroughly redesigned, to open up the floor plates with pleasant, easily identifiable stair and lift wells. At Cézanne Saint Honoré, on the other hand, the floorplates already had these major structural advantages, so that the project could simply focus on upgrading the utilities and interior architecture twenty years after the previous renovation.

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). Over the past 10 years, 60% of the floor spaces have been renovated or redeveloped.

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. The 83 Marceau, Biome and Cézanne Saint Honoré redevelopments top the ranking in this regard, with meeting space representing nearly 20% of their floorplates – and even up to 35% on certain Cézanne Saint-Honoré floors following the addition of a public access facility.

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). Indoor ventilation is also supported by the increasing installation of windows in every office, enabling occupants to adjust their comfort levels and ensure healthy air circulation.

Connection to outdoor spaces is a core aspect of both tenant well-being and our project development process, evidenced by the large sixth floor terrace and courtyard garden at 83 Marceau, the 300 sq.m. rooftop at Cézanne Saint-Honoré, the 1,600 sq.m. of landscaped grounds and 1,500 sq.m. of accessible terraces and balconies on every floor at Biome.

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 has earned Ready To Services (R2S) certification, enabling it to:
- 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.

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

4.1.2. Occupants' well-being

The Paris Workplace survey was conducted before and after Covid, so the findings give an idea of future trends and how society has changed. One might have expected the lockdowns to have dramatically altered 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.

The office is now expected to have a positive impact on its environment in the broadest sense, on both society as a whole and the entire planet, and this trend is becoming more prominent. The vast majority of employees surveyed said they were more aware of such issues as waste sorting (86%), less printing (84%) and the use of soft mobility options (63%) than ten years ago. However, the office is not yet considered the primary focal point for the environmental transition, with 78% of employees (of all ages) saying that they are more environmentally responsible at home than at work.

Moreover, the more a company's commitment to the environment is perceived as lasting, the greater the positive impact on employee well-being. Employees who work for a company that supports non-profits rate their well-being at 7.1/10, compared to 6.2/10 for people working for a company that does not support non-profits. This real-world example is perfectly encapsulated by Yann Bucaille-Lanrezac, founder of the Café Joyeux chain of socially responsible cafés: "if we care about the earth, we also care about people."

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. Since people were "deprived," for a period, of the possibility of going to the office, there has never been so much media debate surrounding this issue.

Nevertheless, a new geography of work is emerging. An office building has to be a locus of identity, events and togetherness, an interface with society, in which its full meaning is expressed. When its purpose is perfectly defined, a building really comes to life. It will also be shaped by its community of occupants, in the sense that the spaces will be "inhabited" by the various working, creative, convivial and discussion ecosystems that they nurture. In this way, the premises become a personal space.

Using the spaces to the fullest also demands a flawless understanding of their volumes, physical features and aesthetic qualities. A workplace has to embody what people expect from a workspace, in its design codes, its needs and how it is used. 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 that 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.

Amenity installations and upgrades are scheduled based on a thorough knowledge of the buildings and how they are used by tenants. When the decision is made to invest in a new building amenity, the space, its design and the operator who will optimise its use are all carefully selected. Users want amenities that deliver the right benefits for everyone. The range of amenities is being expanded from an increasingly well-understood foundation of core services. For example, the following new amenities have been or are being installed in our buildings:
– community managers, who play a key role in communicating with tenant employees and facilitating a wide range of services;
– food services, which are still the number one expectation in user surveys – subsidized food services have also been added to meet new expectations emerging from the health crisis;
– 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.

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 delivered in late 2021 amply incorporates these features by bringing natural light to three former car park levels and utility rooms and by offering future occupants not only a vast 180-seat auditorium, but also sunlit spaces, meeting rooms and a café-lounge suitable for informal meetings and collaborative working.

PRIME AMENITIES BY BUSINESS CENTRE AS OF END-2021

	Staffed security command centre	Building manager	Auditorium	Shared meeting rooms	Reception desk/ Cafeteria	Concierge services	Restaurant	Fitness room	Application	Electric charging stations
Washington Plaza	x	x	x	x	x	x	x	x	in progress	x
103 Grenelle	x	x	x	x	x	x	x	x	x	in progress
#cloud.paris	x	x	x	x	x	x	x	x		x
Édouard VII	x	x	x	x	x	in progress	x	x		
Louvre St-H.	x	x	x	x	x	in progress	x		in progress	in progress
Cézanne Saint-H.	x	x	x	x	x					in progress
83 Marceau	x	x	x	x	in progress			x		x
Biome (delivery in 2022)	in progress	in progress	in progress	in progress	in progress	in progress	in progress	in progress	in progress	in progress

4.2. Certifications and labels

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

For them, environmental certification is now a critical prerequisite, an effective, third-party-validated way for SFL to guarantee tenants, investors and other stakeholders that superior performance will be delivered.

To proactively address 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 set the standard for European property companies in pioneering BREEAM In-Use certification for all its assets in-use(1), i.e., for 13 properties representing nearly 260,000 sq.m. of leasing area as of end-2021.

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 under construction in 2021) 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 Services

(1) "Certifiable" buildings, excluding major redevelopments and renovations, but including buildings whose renewal applications are being reviewed by the BRE.

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 inter-company competitions in the fitness and sports facilities, 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

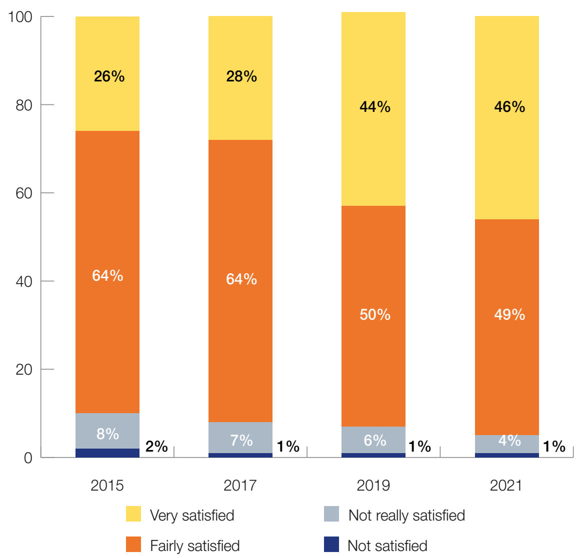
Every two years, SFL carries out a survey of all its tenant employees to measure their satisfaction and expectations in terms of workstyles, amenities and environmental performance.

In all, nearly 1,000 people responded to the latest satisfaction survey conducted in 2021.

The typical employee working in an SFL building is a 40-something manager who lives in central Paris, has a 30 minute commute by public transport and gives their well-being at work a score of 8/10 (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 95% of survey respondents said that they were satisfied with their offices, amply exceeding the targeted 85%, while the percentage of highly satisfied users rose to 46% from 26% in 2015.

TENANT SATISFACTION



5. Project ourselves into a low-carbon future

Increasing greenhouse gas emissions are radically changing the Earth's climate and the latest findings from the Intergovernmental Panel on Climate Change (IPCC) show that the increase in global warming must be limited to 1.5°C above pre-industrial levels.

The construction industry is responsible for almost a quarter of all greenhouse gas (GHG) emissions in France[(1)], making it a major challenge in the fight against climate change. Baseline scenarios, such as France's revised national low-carbon strategy issued in late 2018, or the Science-Based Targets initiative (SBTi), call for the real estate sector to be almost entirely carbon-free by 2050.

SFL has taken its responsibility and devised a certified greenhouse gas emissions reduction target, which is aligned with a 1.5°C pathway and has been validated by the SBTi. More broadly speaking, its low-carbon strategy also involves using resources more judiciously, diligently managing its energy and water use and tackling environmental issues on an ongoing basis 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 tCO_2e) 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

SFL is deploying an ambitious low-carbon strategy built on five pillars:

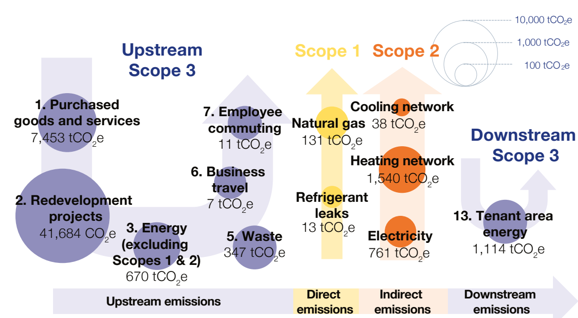
- increasingly broadening the measurement and management of greenhouse gas emissions across the SFL value chain;
- pursuing an ambitious direct emissions reduction pathway, led by improvements in energy efficiency;
- earning certification of the reduction pathway, by the Science-Based Targets initiative (SBTi), in line with the 1.5°C target (since August 2021);
- using less carbon-intensive sources;
- embedding carbon considerations more deeply into investment decisions.

5.1.1. Measuring and managing the broader carbon footprint

Measuring the carbon footprint of SFL's entire value chain helps to identify the main sources of greenhouse gas emissions and understand their impact.

The measurement exercise revealed the impact of our activities on Scopes 1 & 2 emissions and on seven of the Scope 3 categories defined in the GHG Protocol[(2)].

SFL'S BROADER CARBON FOOTPRINT IN TCO_2E (SCOPES 1, 2 AND 3)



Since greenhouse gases are emitted across the SFL value chain, measuring and reducing them requires a significant collective effort involving a wide range of stakeholders, particularly for the main sources described in the following table.

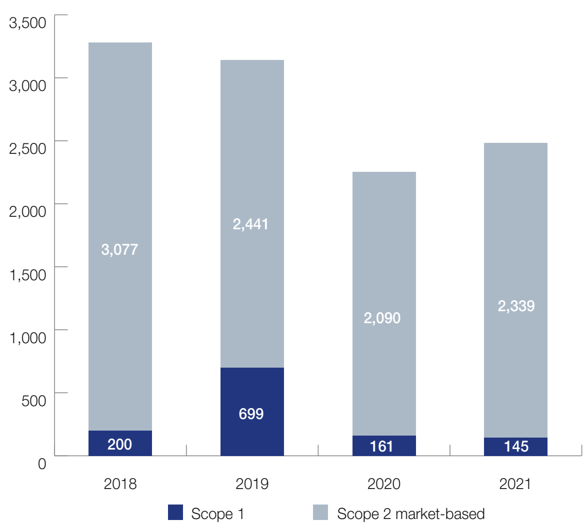
(1) The building sector released 89 million tCO_2e in 2016, or 20% of national Scope 1 emissions and 26% of Scope 2 emissions (i.e., from the generation of purchased electricity used in the buildings). Cited in France's National Low Carbon Strategy, revised on 6 December 2018.
(2) The reported seven categories are identified by their numbering in the GHG Protocol.
The other Scope 3 categories in the Protocol (i.e. Upstream Transportation and Distribution, Upstream Leased Assets, Downstream Transportation and Distribution, Processing of Sold Products, Use of Sold Products, End-of-Life Treatment of Sold Products, Franchises and Investments) have been deemed immaterial to SFL's business.

Scope		Emission source	tCO_2e in 2021	Leading stakeholders involved	Required resources
Buildings in use	1 & 2	Energy used in common areas and shared services and refrigerant leaks	2,484	– Office users – Multi-technical service providers – Design offices – Energy suppliers – Waste collection service providers	– More precise measurement of usage profiles per building – Energy master plan and capital expenditure plan per asset – Use of less carbon-intensive energy sources
	3	Energy used in tenant areas *(13. Downstream leased assets)*	1,114		
	3	Waste *(5. Waste generated in operations)*	347		– Raising user awareness to reduce the amount of waste produced – Offering more waste sorting opportunities – Paying close attention to disposal methods
Projects	3	Redevelopment projects *(2. Capital goods)*	41,684	– Architects – Design offices – Construction companies – Building managers	– Architectural design reusing existing structures – Widespread use of life cycle assessments (LCAs) – Low-carbon construction processes (reuse of materials, low-emissive materials, etc.) *This was a particularly important source in 2021 because of the works being carried out simultaneously on three major redevelopment projects (see sections 3.1. and 5.2.).*

Scopes 1 & 2 greenhouse gas emissions

Scope 1 and market-based Scope 2 carbon emissions from energy use and refrigerant leaks in SFL-managed assets represented 2,484 tCO_2e in 2021, of which:
– 145 tCO_2e in direct Scope 1 emissions;
– 2,339 tCO_2e in indirect market-based Scope 2 emissions.

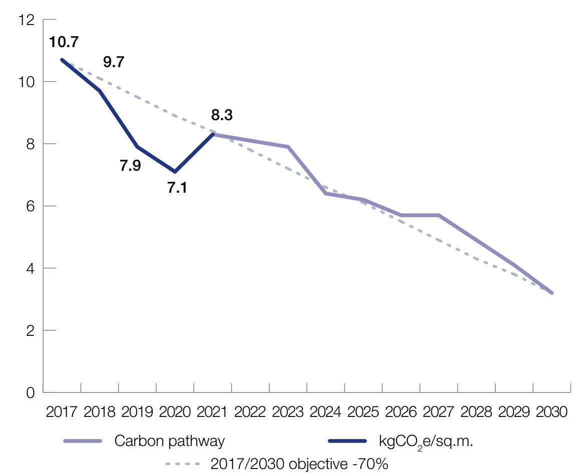
REDUCTION IN SCOPES 1 & 2 GHG EMISSIONS



In absolute terms, Scopes 1 & 2 emissions fell sharply between 2018 and 2021, with an almost 793 tCO_2e reduction corresponding to declines of 27% in Scope 1 and of 24% in Scope 2. The year-on-year upturn in 2021 was driven by the increased need for ventilation in the current health situation and a rise in energy consumption for heating.

SFL's new carbon target is to reduce energy-related greenhouse gas emissions[1] by 70% in $kgCO_2e$/sq.m. between 2017 and 2030. Emissions were reduced by 22% between 2017 and 2021.

CARBON INTENSITY IN $KGCO_2E$/SQ.M. – ABSOLUTE



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[2]. As a result, improving energy efficiency is certainly our biggest challenge. Its importance was further confirmed by the decree mandating actions to improve the energy performance of commercial buildings, which stipulates that energy use must be reduced by 40% by 2030, 50% by 2040 and 60% by 2050.

Meeting these ambitious national objectives will require targeted investments and continuous improvement in building management systems. It will also involve addressing emerging tenant needs, which could impact intensity of use in our buildings (digital technologies, amenities, food services, etc.).

To this end, SFL has undertaken a broad-based dialogue and emulation process with its tenants to gain insight into energy use in its buildings and then to reduce overall consumption by integrating the energy used in the tenant areas, with energy sharing agreements, discussions on energy use profiles during tenant committee meetings, etc.

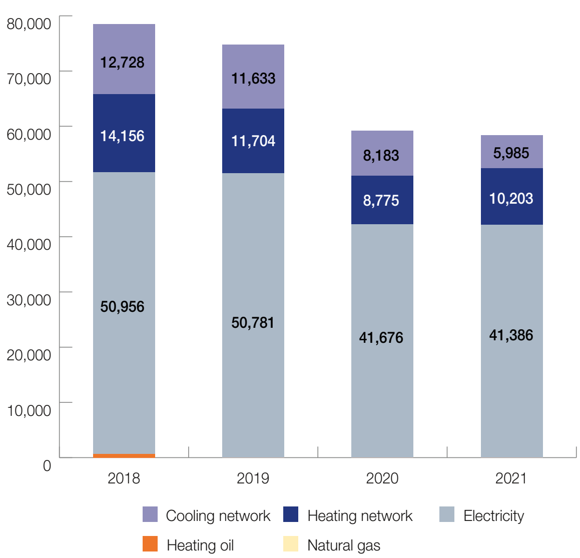
(1) Excluding refrigerant leaks.
(2) 2015 figures from ADEME.

After ten years of major capital investments in its buildings, SFL is also endeavouring to foster a holistic ecosystem of processes and partners to improve its energy efficiency.

In particular, it has joined with two recognised, complementary partners to build a new strategic plan, which should drive a 40% reduction in energy use by the end of 2030. After an initial programme aimed at increasing the amount of collected data by installing more sub-metering systems, a comprehensive technical master plan was developed for the entire asset portfolio. In turn, this was broken down into dedicated energy and carbon pathways to 2030 for each asset, supported by a capital expenditure plan.

In 2021, properties owned and managed by SFL used 58,352 MWh of final energy, of which 42,182 MWh (72%) in the common areas and for the heating and air-conditioning used in tenant areas.

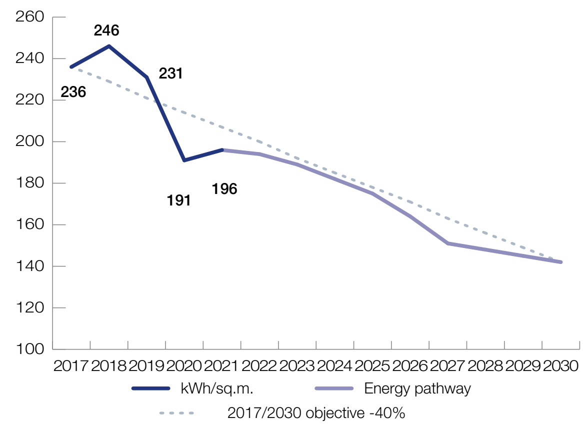
ENERGY USE BY TYPE, IN MWH



In absolute terms, total energy use from all sources declined by 25% from 2018 to 2021.

SFL's operational objective is to reduce energy use intensity in kWh/sq.m. by 40% between 2017 and 2030, in full compliance with France's commercial real estate energy savings decree. By the end of 2021, the reduction already stood at 17%.

ENERGY INTENSITY IN KWH/SQ.M. – ABSOLUTE



5.1.3. Transitioning to lower carbon energy sources

Another way to reduce energy consumption and shrink the carbon footprint is to optimise the energy mix with less carbon-intensive energy sources.

Already, nearly 71% 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 1.3% of the total energy mix. The remaining energy used comes from district heating (17.5%) and cooling (10.3%) systems, which account for diametrically opposed proportions of the related carbon impact, at 49.3% and 1.2% respectively.

ENERGY MIX AND RELATED CARBON IMPACT AS A % IN 2021(1)

	Energy mix	Related carbon impact
Electricity	70.9%	45.3%
District cooling network	10.3%	1.2%
District heating network	17.5%	49.3%
Natural gas	1.3%	4.2%

(1) Energy used in and related carbon emissions from the common and the tenant areas of the 13 in-use buildings owned and managed by SFL in 2021.

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

– Gradually reducing the use of the most carbon-intensive energy sources, particularly for heating:
  • replacing the last fuel oil-fired boiler with a natural gas-fired installation in the spring of 2018;
  • installing heat pumps, notably in the Galerie des Champs-Elysées in November 2020, which has since resulted in a 36% reduction in energy use.
– Opting for energies with the lowest emission factors:
  • gradually connecting eligible assets to the district cooling network (which has a low emissions factor);
  • negotiating with suppliers to steadily increase the proportion of energy from renewable sources, particularly for electricity and district heating (CPCU).

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:
– the judicious use of resources during the works phase;
– the recovery, recycling and reuse of building waste;
– managing water use in properties in-use.

It is 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 also helps to limit the amount of demolition and therefore the use of natural resources when new structures are built. By nature, redeveloping or renovating an existing building is much more carbon efficient than putting up a new building, since most of the structure, and sometimes even the roof, windows and doors, are retained. Moreover, unlike new construction, redevelopment projects do not seal any additional soil space.

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 on the buildings it owns and renovates by implementing clearly defined policies to reduce the worksites' environmental footprints and by demanding and monitoring contractor compliance. These policies systematically 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;
– recovering and/or diverting demolition or salvaged waste.

In 2021, work was underway on two redevelopment projects in empty buildings: 83 Marceau, which was delivered at year-end, and Biome, scheduled for delivery in summer 2022. Both are covered by clearly defined worksite guidelines designed to earn certification according to industry standards, with a strong focus on materials reuse and disposal.

400 sq.m. of stonework and **11,000 sq.m.** of raised access floors reused on Biome

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

More than **99% of site clearance waste** and more than **98% of construction waste has been recovered and reused** from the 83 Marceau and Biome worksites

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 86% (more than 11,000 sq.m.) of the raised access floor slabs will be reused. These two initiatives alone represent more than 2,500 tCO_2e of avoided emissions.

On the worksite of 83 Marceau, delivered at year-end 2021, more than 7.4 tonnes of materials were salvaged early in the project and sold on online marketplaces, giving plant and flower boxes, doors, stair steps, raised flooring, air extract units and lighting fixtures a second life.

Construction and worksite waste is also recovered and reused:
– For site clearance works: 99.9% of 83 Marceau's waste and 99.6% of Biome's waste was recovered and reused.
– For redevelopment works: 98.2% of 83 Marceau's waste (nearly 7,300 tonnes) and 98.7% of Biome's waste (nearly 20,720 tonnes to date) has been recovered and reused as materials or fuel. On the Biome worksite, a mini waste collection facility has been installed to support a highly precise sorting process, while a compacting system is reducing the space needed for packaging waste.

The ultimate goal is to produce zero final waste during both the development and in-use phases.

5.2.2. Building waste recycling, recovery and reuse

In 2021, some 538 tonnes of waste were produced by tenant activities in the seven buildings owned and managed by SFL whose waste is not collected directly by the City of Paris(2).

On a comparable portfolio basis, the amount of waste has been sharply reduced in recent years, with a 29% decline since 2017 to 18 kg per user per year.

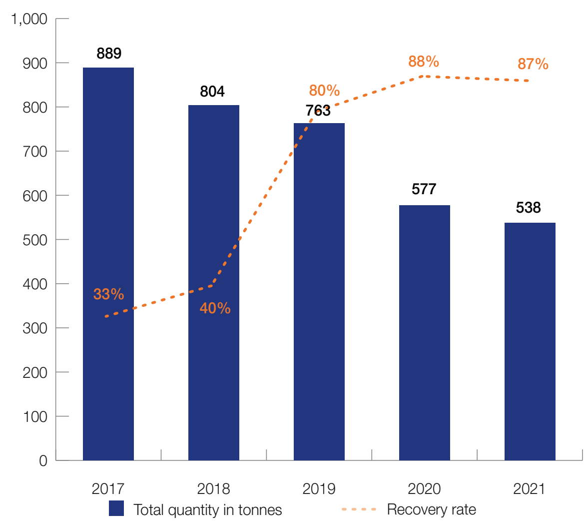
The reduction has been led by the efforts of SFL teams to raise tenant sensitivity and by the steady shift to paperless office practices. It has gained momentum in the past two years due to the health situation and the steep fall-off in office use over the period.

To manage building waste more effectively a wider selection of sorting solutions has been deployed for tenants. As of year-end 2021, 13 different types of waste were collected in our assets, including cardboard, paper, plastics, wood, glass, metals and waste electrical and electronic equipment.

Effective management also includes ensuring that the waste collected by service providers is treated in the most appropriate way possible, depending on locally available recycling or reuse solutions.

(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) The seven SFL-managed buildings for which private waste management contracts have been signed are now included in the scope of reporting. Nevertheless, the overall coverage rate stands at 84% of the managed buildings, because waste from six of them is collected directly by the City of Paris, leaving SFL without any data on the amount of waste or its disposal.

AMOUNT OF BUILDING WASTE IN TONNES AND RECOVERY RATE IN % – ABSOLUTE



In 2021, 87% of waste was recovered and reused (mainly through recycling or burning as fuel). This percentage has more than doubled since 2017. SFL is committed to continuing to work with waste collection service providers to improve their feedback on disposal methods and to ensure that no waste is landfilled, in line with the goal of zero final waste by 2030.

5.2.3. Managing water use

SFL buildings are supplied by city water systems, which withdraw water from aquifers and rivers in the Greater Paris region, make it potable and then distribute it to the buildings' supply connections. All of our buildings are located in Paris or the inner suburbs, which means that they are only moderately exposed to water stress risk[(1)].

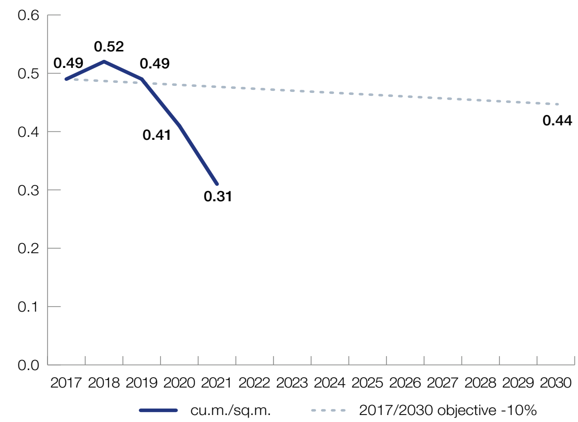
We are nevertheless endeavouring to improve rainwater recovery at our various sites, when such a solution is technically feasible, environmentally beneficial and cost effective. Currently, three assets have rainwater recovery systems: 92 Champs-Élysées, Washington Plaza and #cloud.paris.

The buildings owned and managed by SFL used some 92,835 cu.m. of water in 2021, or 0.31 cu.m. per sq.m.

In absolute terms, water use intensity declined by 36% between 2017 and 2021, the result of successful initiatives but also, since March 2020, of the major impact of the steep fall-off in office use during the health crisis.

SFL is hoping to reduce this intensity by 10% in cu.m./sq.m. between 2017 and 2030, but this target may be reassessed in the years ahead.

ANNUAL CHANGE IN WATER USE INTENSITY IN CU.M./SQ.M. – ABSOLUTE



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. As a result, the presence of landscaping and water features that attract insect and bird life helps to improve the well-being of our users, especially when they can reconnect with their surroundings in such quiet, peaceful, healthy spaces.

Among the preferred ways to deliver this experience is to increase the use of green walls and landscaped roofs, terraces and courtyards, which enable us to meet the rising expectations of our tenants and their employees, adapt our buildings to climate change and preserve urban biodiversity.

5.3.1. Increasing planted and landscaped areas in properties

Landscaping and greenery are an essential part of every redevelopment project.

Green spaces, plants and landscaping are a distinguishing feature of the current Biome redevelopment project. By the time it is delivered in 2022, the weighted landscaped area will have almost doubled, to 1,500 sq.m. and more than 35 trees and 25 shrubs. In addition, the project is seeking BiodiverCity® Excellent certification.

As of end-2021, green walls and other planted areas represented nearly 8,822 sq.m. or 10% of the portfolio's total footprint. This total has steadily risen over the past three years, reflecting SFL's commitment to further extending planted and landscaped areas across its portfolio. For example, two green walls have been installed in the interior courtyards of the Cézanne Saint-Honoré complex and trees have been planted in the stony courtyard of the Édouard VII complex.

Previously, a plant and water-based landscape had been recreated around the Le Vaisseau building in Issy-les-Moulineaux, with wide pontoon terraces near the Seine, as well as in the paved seating areas at 9 Percier, where the fountain in the main patio has been restored.

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

The equivalent of 10% of the portfolio's footprint is planted and landscaped

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

Biodivercity
Excellent certification for the Biome project

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.

As part of its commitment to preserving and enhancing biodiversity in its buildings, SFL systematically applies City of Paris biodiversity recommendations and includes a "zero pesticides" clause in its groundskeeping contracts to ensure that these areas do not generate any health risk.

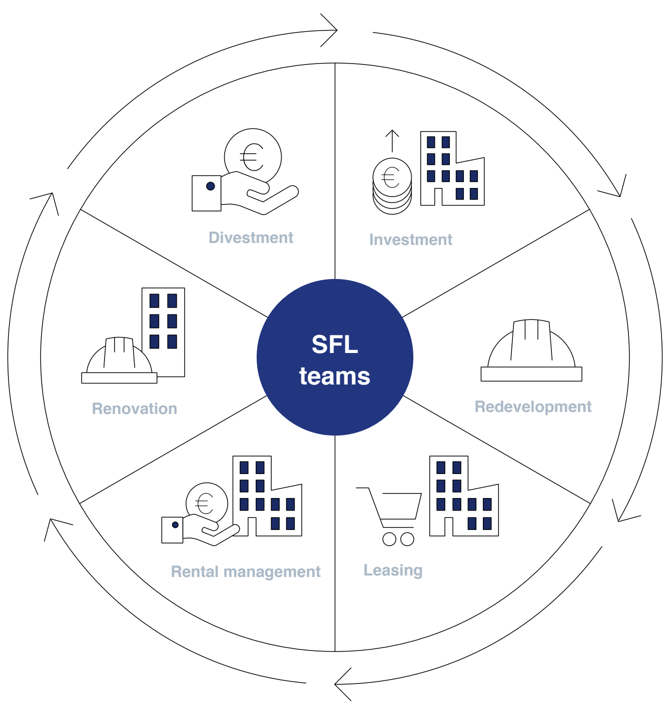
6. Encourage employee engagement across the value chain

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).

SFL had 69 employees at 31 December 2021, of whom 67 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 62% of the total, and 78% of employees are classified as managers.

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.

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

In 2021, six new employees joined the SFL corporate community under permanent contracts and nine people left during the year.[1] Seven of the nine people who left were replaced through new hires or transfers.

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 were formally instated by a charter signed in September 2021, giving employees the opportunity to work from home for five days a month.

As part of our employee skills development commitment, performance reviews are conducted with each employee every year to assess their achievements and abilities and to identify their training needs. In addition, every two years, a career development review helps employees map out a more personal growth path, with milestones and outcomes assessed every six years.

The review process has been facilitated by digitalisation, which also ensures the traceability of these discussions and their follow-up.

In keeping with the objective of nurturing and instilling SFL's management culture, the training curriculum offered to managers in 2020 were expanded in 2021 with a session for the Management Committee dedicated to management issues and the role of managers in a fast evolving environment, impelled in particular by the emergence of new working practices.

Based on the average number of employees in 2021 (71) and the number of employees under permanent contracts who were hired or left during the period, the turnover rate was 10.61%, versus 6.24% in 2020[2].

On the same basis, the average seniority of employees on payroll remained unchanged, at 10.8 years versus 10.5 in 2020.

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 2021, the target bonus represented on average 16.75% of the employee's base salary (excluding Management Committee members).

For employees on payroll at 31 December 2021, total remuneration for the year (salary and bonus) averaged €68,214 again excluding Management Committee members.

In addition, to recognize their commitment during the special circumstances created by the epidemic, all employees on payroll for at least three months prior to 31 December 2020 (other than Management Committee members) were paid an exceptional €500 bonus in January 2021.

Indirect remuneration

A total of €360,450 was paid out to employees in 2021 under discretionary and non-discretionary profit-sharing plans.

To optimise their savings and pension schemes, employees can invest in a wide range of securities through two successful vehicles, an Employee Sharesave Plan (PEE) and a Group Pension Savings Plan (PERECO). To further encourage employees to save for retirement, their personal investments in the PERECO plan are matched by a company contribution of up to €4,860. In 2021, an additional company contribution of €200 was paid to every employee, regardless of how much they invested, if applicable.

(1) Hiring, separation and workforce data at 31 December 2021 are presented in detail in the table of EPRA employee indicators in section 7.5.3. 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.

As a result, SFL's financial support for employees saving for retirement amounted to €260,742 in 2021, versus €223,310 the year before, with 74 employees receiving an average matching contribution of €3,523.

In 2021, bonus shares were again granted to officers and employees, this time to 57 people (of whom 54 employees) representing 82% 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).

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 2021, for example, training sessions primarily focused on asset management, financial management, law, business management, office technology and improving language skills in English and Spanish.

In addition, as part of the occupational risk prevention policy, new hires were trained in first aid and fire extinguisher operation.

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 2.3% in 2020 and 2021 after the health crisis forced certain sessions to be cancelled and others to move online.

Nevertheless, more than 1,320 hours of training were offered to 51 employees, representing an average of 26 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 LADAPT 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:
- endeavour to obtain, as far as possible, an equal number of male and female candidates;
- drive greater gender balance in the job classification grid.

At 31 December 2021, 56% of SFL managers were women. Three of the six employees hired during the year were women. Similarly, two of the four people promoted as of 1 January 2021 were women.

Training

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

In 2021, 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 28 hours in training (22 hours for men). Out of the average number of employees in 2021, 66% of men and 74% of women attended training sessions during the year.

(1) Training data at 31 December 2021 are presented in detail in the table of EPRA employee indicators on page 81 of this report.

Remuneration

Objectives:

– 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;
– eliminate any distortions in remuneration resulting from parental-related leave.

As part of the statutory annual pay round in 2021, 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.

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 2021, employees aged 45 or older represented 51% of the workforce and people under 35 represented 22%.

People with disabilities

As part of its policy of supporting employment opportunities for people with disabilities, in 2021 SFL once again helped to finance the operating budget of LADAPT, 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 2021, SFL also renewed its membership of 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. In addition, the workplace atmosphere is regularly measured with a quality of worklife (QWL) survey, in line with SFL's goal of complying with the obligation to regularly assess workplace risks, while laying the foundation 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.

In 2021, 76.5% of employees responded to the survey, which was followed by departmental meetings to present the findings and jointly define any necessary action plans.

6.2.1. Health and safety

In 2021, 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 2021 and only two commuting accidents, without any lost time, were reported during the year.

As the health crisis persisted in 2021, the deployment and tracking of prevention and protection procedures were facilitated by regular discussions with SFL's occupational health services and the support they provided to the company.

6.2.2. Quality of worklife

Negotiations were initiated in 2021 with a view to pursuing work-from-home arrangements on the same basis as the trial agreement signed in 2019. After these talks fell through, a charter was signed giving employees the possibility to work from home five days a month.

For the purposes of this report, SFL has chosen to measure employee well-being and engagement primarily by tracking the short-term absenteeism rate, which is based on the number of days lost to unauthorised absences of up to four days. In 2021, the rate stood at 0.40%, down from 0.78% in 2020.

6.2.3. Work-life balance

The 2021 agreement instating a work-from-home option reflects the commitment of SFL management and employee representatives to propose arrangements capable of improving both job performance and quality of worklife by encouraging a more fulfilling work-life balance, while preserving the current work organisation and sense of corporate community.

In the same spirit, in July 2021 another agreement was signed, setting out the conditions in which an employee may donate his or her leave or compensatory time to another employee in certain situations (caring for a child under 20 years of age who is ill, disabled or the victim of an accident, assisting a disabled or dependent person, etc.).

As of 31 December 2021, SFL had 65 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

6.3.1. Ethical principles

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.

If they have any questions about these issues or about professional ethics or conduct in general, employees may contact the Internal Control Department.

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

Measures are also in place to ensure that employees as well as suppliers uphold the Fundamental Conventions of the International Labour Organization (ILO) in the areas of:
- freedom of association and collective bargaining;
- eliminating discrimination in respect of employment and occupation;
- eliminating forced and compulsory labour;
- effectively abolishing child labour;
- fighting clandestine and undeclared 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. Control systems are also in place to ensure that the submitted documents are updated every six months.

Over the past few years, we have 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.

From June to September 2021, an audit was performed with KPMG to assess the contract tendering procedure for the purchase of works, supplies or services, and to check the reliability of the existing process. It found that there is a clear, written procedure, updated in June 2019, and that the controls were appropriate (see section 8.3.2. of the Management Report).

No cases of bribery came to light in 2021 and the Group was not subject to any disciplinary measures. No political donations were made, in accordance with French legislation, which bans such practices.

In addition, members of the Board of Directors and senior executives, as well as any persons with regular or occasional access to insider information, are prohibited from trading in SFL shares, directly or indirectly, on their own behalf or on behalf of third parties, during periods designated as black-out periods. These persons are sent a reminder of the black-out by an email from the Legal Director a few days before the beginning of each period (30 days before the publication of the annual and interim financial statements).

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 societal 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.

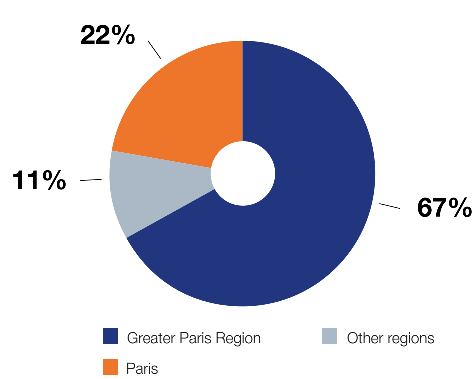
Delivering best-in-class selection and tracking performance across the value chain

Strict rules apply to the selection and approval of suppliers. Standard service procurement contracts, for example, include a variety of environmental and labour clauses.

SFL also combats abusive subcontracting by limiting the sub-contracting pyramid to a maximum of two levels, thereby maintaining tighter control over the companies that work on its projects and assets.

Special attention is also paid to a supplier's country of origin, with priority given to local contractors when commissioning work. In 2021, for example, 89% of suppliers were based in Paris or the Greater Paris region, within around 100 kilometres of the city centre.

SUPPLIER LOCATION



These two criteria should help to ensure that the delivered service quality meets SFL standards. 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 the environmental commitments in our assets, multi-technical maintenance contractors and building managers 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. This particular contract expired during the year, but was renewed in light of its positive impact on environmental performance and cost savings.

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

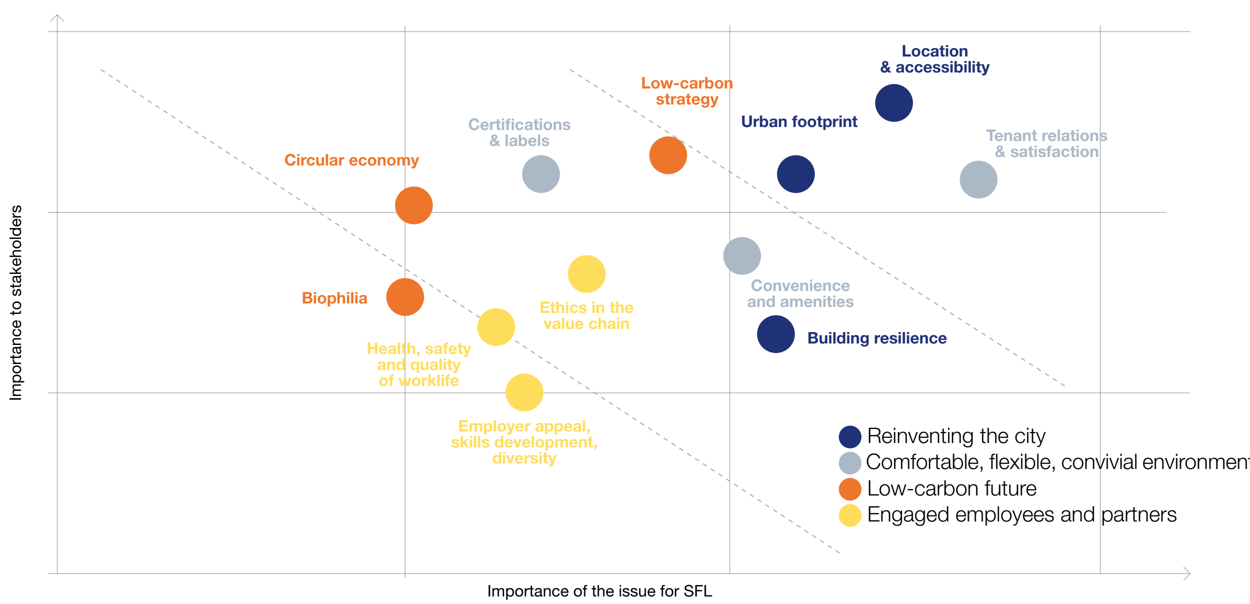
7.1. Materiality of issues

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 CSR Committee and reviewed in light of the new regulatory framework concerning non-financial information statements.

The analysis revealed 12 material issues for SFL's business and its stakeholders, which were consolidated into four pillars and used to structure our CSR approach and this non-financial information statement.

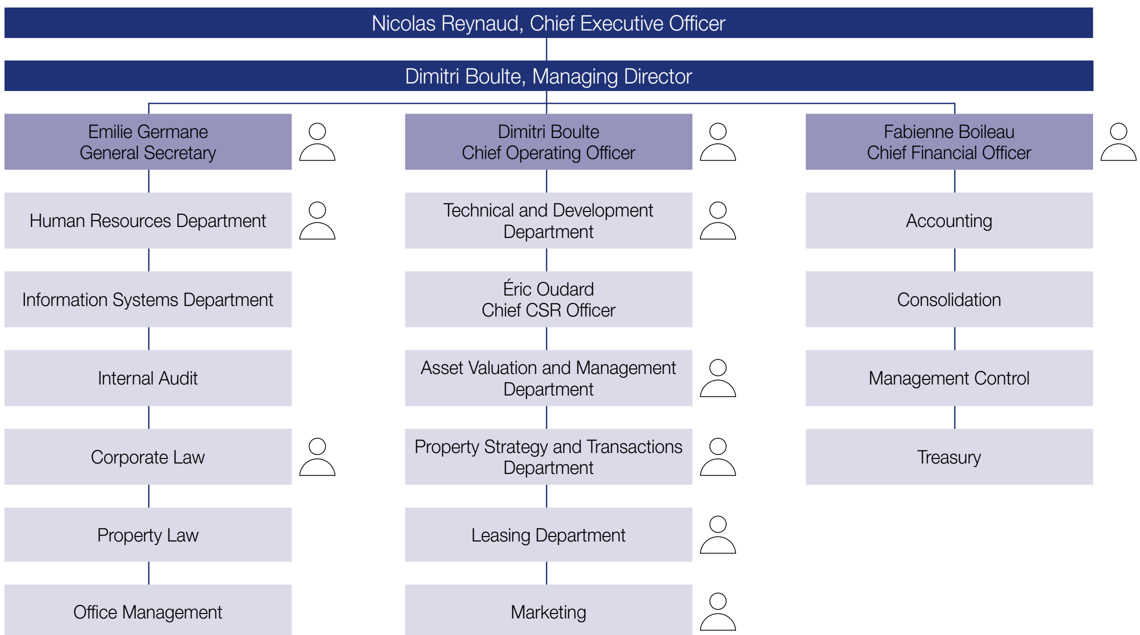
MATERIALITY MATRIX OF CSR ISSUES



7.2. 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 CSR Committee, comprising the Management Committee and representatives of the main departments concerned, meets twice a year and defines the main strategic guidelines for each CSR issue.
- These guidelines are then shared with the operating teams.
- The Chief CSR Officer (Éric Oudard), in charge of the Technical and Development Department, manages these issues in close collaboration with the Human Resources Department.
- 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

7.3. 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 ten 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.

Science Based Targets initiative

The Science-Based Targets initiative (SBTi) seeks to encourage companies to help limit the increase in global warming by setting greenhouse gas emission reduction targets based on the latest scientific findings.

Launched in June 2015, the initiative is a partnership between CDP, the United Nations Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF).

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.

C3D

The Sustainability and CSR Officers play a key role in the transformation of our organisations and ultimately our entire society.

To accelerate, facilitate and promote this transformation in the public sphere, the C3D association brings together 200 of France's leading sustainability and CSR officers of private and public-sector companies and non-profit organisations into a single network.

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 the Biome project, which will be delivered in 2022 in the 15th *arrondissement* of Paris.

"Booster du réemploi" alliance

A4MT designs and implements a variety of engagement programmes for its clients, in particular to encourage the reuse of materials from construction worksites. SFL has joined the "Booster" community, affirming its commitment to recovering and reusing materials.

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 eighth 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.

Emmaüs

Premises in the Galerie des Champs Elysées (Paris 8th *arrondissement*) were offered free of charge to the Emmaüs charitable association for use as a training centre.

City of Paris – *Nuit Blanche*

SFL supports the City of Paris' *Nuit Blanche* all-night performance festival organised for the 20th time in 2021, which offers the public free access to an array of artistic events in the capital, for one night only.

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

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 15 to 21 November 2021. The annual event aims to raise awareness among recruiters and facilitate access to jobs for people with disabilities.

7.4. Methodological note

7.4.1. Methodology for calculating environmental and societal indicators

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

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

Lastly, it defines the scope of reporting.

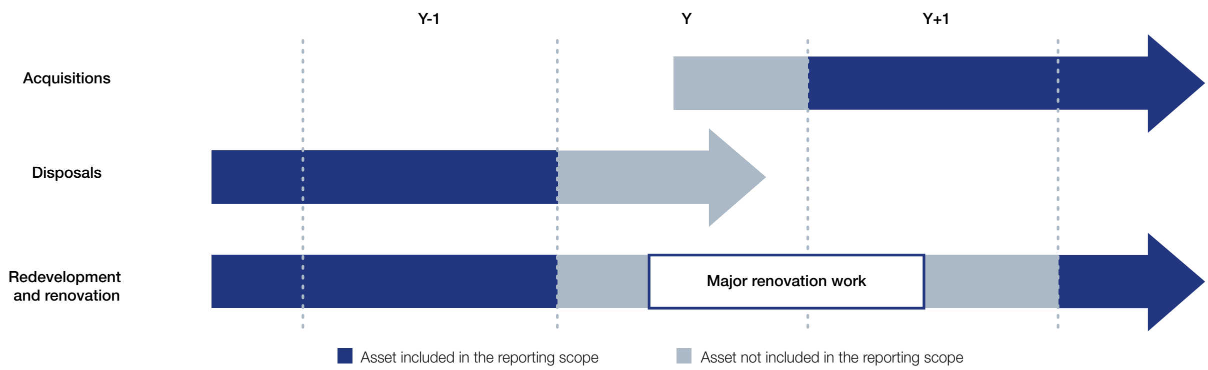
Scopes of reporting

SFL's portfolio comprises 18 buildings, representing a total surface area of 374,705 sq.m.

Societal and environmental indicators and their related objectives may cover different scopes of reporting. In all cases, however, the scopes have been defined in line with industry best practices, particularly the guidelines for implementing the EPRA Sustainability Best Practice Recommendations. They are organised according to two main features:
– the fact that the buildings are operationally managed by SFL;
– the fact that the assets have been acquired, sold or are under development.

Changes in scope of reporting

Scopes of reporting may change as a result of:
– acquisitions: properties acquired are included in the scope only after a full year in use;
– disposals: buildings sold during the year are removed from that year's scope of reporting;
– redevelopments or renovations: major projects are included in the scope of reporting once they have been delivered, are at least 60% let and have been in use for at least a year.



Main 2021 environmental indicator scopes of reporting

As of end-2021, assets may be classified into four categories, each with a different scope for reporting data on carbon emissions, energy use, water use, waste production and certifications.

- 13 multi-tenant or single-tenant assets for which SFL directly manages their energy use, water use and waste production;
- 1 single-tenant asset undergoing major renovation work during the reporting period;
- 1 single-tenant asset whose in-use operations are not directly managed by SFL;
- 3 assets being redeveloped in 2021.

Asset	Carbon		Energy	Water	Waste	BREEAM In-Use
	Scope 3	Scopes 1 & 2				
Washington Plaza	•	•	•	•	•	•
Édouard VII	•	•	•	•	•	•
103 Grenelle	•	•	•	•	•	•
#cloud.paris	•	•	•	•	•	•
Rives de Seine	•	•	•	•	•	•
Louvre Saint-Honoré	•	•	•	•	•	Properties under renovation
Cézanne Saint-Honoré	•	•	•	•	•	
176 Charles de Gaulle	•	•	•	•	Waste directly collected by the City of Paris, with no data on amounts or methods.	•
92 Champs-Élysées	•	•	•	•		•
Galerie des Champs-Élysées	•	•	•	•		•
90 Champs-Élysées	•	•	•	•		•
131 Wagram	•	•	•	•		•
6 Hanovre	•	•	•	•		•
106 Haussmann	•	Building undergoing major renovation work during the reporting period				•
Condorcet	•	Single-tenant buildings whose in-use energy, water and waste operations are not managed by SFL				•
Le Vaisseau	•	Vacant buildings being redeveloped				
83 Marceau	•					
Biome	•					

Reporting period

To enable data to be collected early enough to calculate the indicators in a timely manner and minimize the use of estimates, 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 since 2017. The scopes of reporting for these indicators have therefore been adjusted to exclude assets acquired, sold or under construction between 1 October and 31 December of the reporting year.

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

Standardized surface areas

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

Energy

Energy data are collected from:

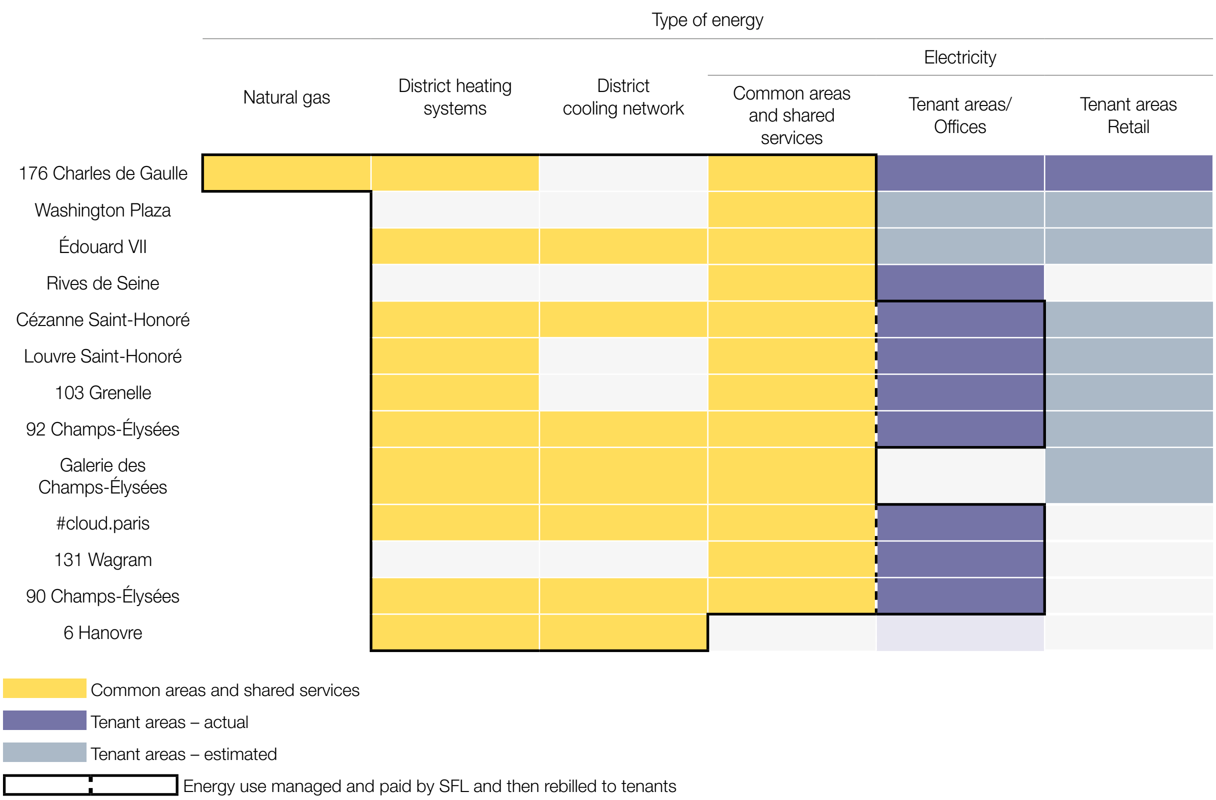
- meter readings by property managers and on-site submeter readings by facilities maintenance contractors;
- property manager invoices excluding VAT;
- data extracted from the property managers' databases *via* the client interface.

Energy data are expressed in units of final energy.

SFL differentiates between energy used in common areas and shared services, which are managed and metered by SFL, and energy used in tenant areas, for which SFL works with tenants to collect and discuss usage data.

When the tenant areas' energy use is unknown, total energy use 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.

ENERGY USE BY ASSET IN THE 2021 ENERGY DATA SCOPE OF REPORTING



GHG emissions

GHG emissions are calculated using the GHG Protocol methodology.

Scopes 1 & 2 emissions are calculated based on energy use and refrigerant leak data from the managed assets. Scope 2 emissions are primarily calculated using the market-based method, to reflect SFL's energy mix.

Scope 3 emissions are calculated for the categories relevant to SFL's business activities, namely:
- Category 1: Purchased goods and services (OpEx).
- Category 2: Capital goods: redevelopment, renovation and tenant area works (CapEx).
- Category 3: Fuel- and energy-related activities (not included in Scope 1 or Scope 2): production of fuels and energy purchased and consumed.
- Category 5: Waste generated in operations: amount and treatment of waste produced by assets in-use.
- Category 6: Employee business travel.
- Category 7: Employee commuting.
- Category 13: Downstream leased assets: energy used in the tenant areas.

Data from SFL activities are converted into greenhouse gas emissions using emission factors from suppliers and the ADEME carbon database and global warming potentials from IPCC reports. These sources are consulted regularly and emission factors are updated in the event of any changes.

Greenhouse gas emissions indicators are expressed in tCO_2e or in $kgCO_2e$/sq.m.

In reducing its greenhouse gas emissions, SFL is pursuing two targets:
- An operating target, expressed in $kgCO_2e$/sq.m., to reduce Scopes 1 & 2 emissions by 70%. Note that to focus solely on operating management performance, the target excludes emissions from refrigerant leaks.
- An SBTi-certified target, expressed in tCO_2e, to reduce Scopes 1 & 2 emissions by 50% between 2018 and 2030.

Water use

Water use data are collected from:
- water meters read by the multi-technical maintenance providers;
- property managers' databases, extracted via their client interface.

They are expressed in cubic meters and include water used in the common areas, by the shared services and in the tenant areas.

Waste

From assets in use

SFL-managed buildings handle their waste in one of two ways:
- in seven assets, representing 84% of managed surface area, waste is managed by private companies who report their data to SFL;
- in six assets, waste is managed directly by the City of Paris, which does not report any information to SFL concerning amounts and treatment methods.

Thirteen types of waste are collected across the assets managed by SFL.

In the seven assets served by private contractors, two types of data are tracked:
- amounts, based on weighed tonnages reported by the service providers;
- treatment methods, which are also reported by the service providers using the EU statistical nomenclature.

SFL has set a target for the percentage of building waste recovered and reused. Waste is considered to be recovered if the treatment methods correspond to codes R1 to R13 in the European nomenclature.

From redevelopment projects

SFL closely tracks waste management during both the clearance/demolition and construction phases of its redevelopment operations.

Data on waste tonnages and treatment methods are reported, compiled and communicated to SFL by each project's environmental manager.

Certifications

The percentage of certified assets in the portfolio is calculated based on BREEAM In-Use certifications.

The denominator is the aggregate usable surface area of certifiable buildings, i.e., excluding buildings that are vacant or being redeveloped or renovated and therefore not eligible for certification.

The numerator is the aggregate usable surface area of the certified buildings.

The score used for the percentage of certified assets indicators is the score for Part 1, the only one available for all certified assets.

When BREEAM In-Use recertification is in progress or being prepared, or when SFL is waiting for the BRE to issue the final results, the asset is still considered certified and the previous certificate score is used pending the new score.

When a building reopens after a period of redevelopment or major works that prevented it from being certified, it only becomes certifiable after having met the following BREEAM In-Use International V6 conditions:
- Part 1: 80% of the interior space in the scope of certification must be fitted out and the work completed.
- Part 2: 80% of the space must be occupied for one year, with a full year of energy and water use data.

7.4.2. Methodology for calculating employee relations indicators

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

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 7.5.4.

7.5. SBTi and EPRA indicators

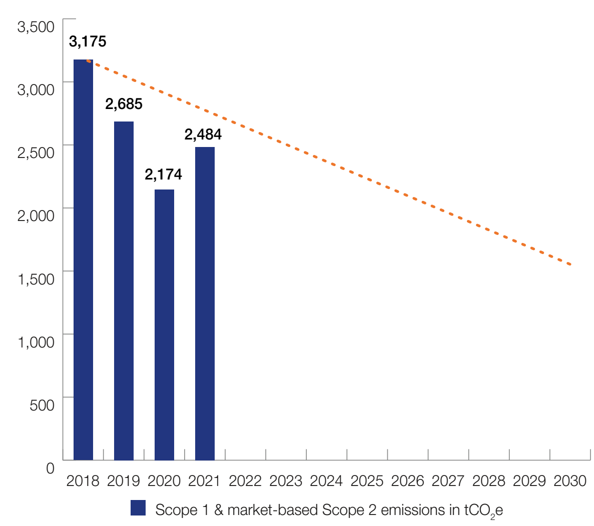
7.5.1. SBTi indicator

In August 2021, SFL's carbon pathway was certified as compatible with a 1.5°C target by the Science-Based Targets initiative (SBTi).

The pathway is based on a targeted 50% reduction in Scope 1 and market-based Scope 2 emissions, expressed in tCO_2e, between 2018 and 2030.

By the end of 2021, these emissions had been reduced by 21.8% – 691 tCO_2e in absolute terms – in line with the target.

THE TARGET FOR SCOPE 1 AND MARKET-BASED SCOPE 2 EMISSIONS IN TCO_2E CERTIFIED BY THE SCIENCE-BASED TARGETS INITIATIVE



7.5.2. 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
	2019	2020	2021	2019	2020	2021	2019	2020	2021	%20/21	%19/21	
Absolute												
Electricity	26,957	25,828	25,217	23,824	15,849	16,170	50,781	41,676	41,386			Elec-Abs
District heating systems	11,704	8,775	10,203				11,704	8,775	10,203			DH&C-Abs
District cooling systems	11,633	8,183	5,985				11,633	8,183	5,985			
Natural gas	685	584	778				685	584	778			Fuels-Abs
Total energy use in MWh	**50,979**	**43,370**	**42,182**	**23,824**	**15,849**	**16,170**	**74,803**	**59,219**	**58,352**			
Energy intensity in kWh/sq.m.							231.2	190.9	196.2	2.7%	-15.1%	Energy-Int
Number of buildings							16/16	15/15	13/13			
% of sq.m.							100%	100%	100%			
Like-for-like												
Electricity	26,450	25,395	25,217	20,306	15,274	16,170	46,756	40,670	41,386	1.8%	-11.5%	Elec.-LfL
District heating systems	10,741	8,379	10,203				10,741	8,379	10,203	21.8%	-5.0%	District H&C - LfL
District cooling systems	10,410	8,183	5,985				10,410	8,183	5,985	-26.9%	-42.5%	
Natural gas	685	584	778				685	584	778	33.2%	13.5%	Fuels-LfL
Total energy use in MWh	**48,286**	**42,542**	**42,182**	**20,306**	**15,274**	**16,170**	**68,592**	**57,816**	**58,352**	**0.9%**	**-14.9%**	
Energy intensity in kWh/sq.m.							230.6	194.4	196.2	0.9%	-14.9%	Energy-Int
Number of buildings								13/13				
% of sq.m.								100%				

SCOPE 1[(1)] AND SCOPE 2 GHG EMISSIONS FROM ENERGY USE, IN TCO$_2$E – ABSOLUTE AND LIKE-FOR-LIKE
(EPRA codes: GHG-Dir-Abs, GHG-Indir-Abs, GHG-Int)

		2019	2020	2021	%20/21	%19/21	EPRA code
Absolute							
Scope 1		126	102	131	29.4%	4.2%	GHG-Dir-Abs
Market-based Scope 2		2,441	2,091	2,339	11.9%	-4.2%	GHG-Indir-Abs
Location-based Scope 2		2,973	2,435	2,604	6.9%	-12.4%	
Total market-based, in tCO$_2$e		2,567	2,192	2,470	12.7%	-3.8%	
Total location-based, in tCO$_2$e		3,099	2,537	2,736	7.8%	-11.7%	
Carbon intensity		7.9	7.1	8.3	17.5%	4.7%	GHG-Int
Coverage rate	Number of assets	16/16	15/15	13/13			
	% of sq.m.	100%	100%	100%			
Like-for-like							
Scope 1		126	102	131	29.4%	4.2%	
Market-based Scope 2		2,275	2,018	2,339	15.9%	2.8%	
Location-based Scope 2		2,797	2,358	2,604	10.5%	-6.9%	
Total market-based, in tCO$_2$e		2,401	2,120	2,470	16.5%	2.9%	
Total location-based, in tCO$_2$e		2,924	2,459	2,736	11.2%	-6.4%	
Coverage rate	Number of assets		13/13				
	% 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)

		2019	2020	2021	%20/21	%19/21	EPRA code
Absolute							
Total municipal water use in cu.m.		**159,579**	**126,216**	**92,835**	***-26.4%***	***-41.8%***	*Water-Abs*
Intensity	in cu.m./sq.m.	0.493	0.407	0.312	*-23.3%*	*-36.7%*	*Water-Int*
	in litres/user	29.0	23.9	18.8	*-21.3%*	*-35.2%*	
Coverage rate	Number of assets	16/16	15/15	13/13			
	% of surface area (sq.m.)		100%	100%			
Like-for-like							
Total municipal water use in cu.m.		**151,519**	**123,633**	**92,835**	***-24.9%***	***-38.7%***	*Water-LfL*
Intensity	in cu.m./sq.m.	0.509	0.416	0.312	*-25.0%*	*-38.7%*	*Water-Int*
	in litres/user	30.6	25.0	18.8	*-24.8%*	*-38.6%*	
Coverage rate	Number of assets		13/13				
	% of sq.m.		100%				

(1) Excluding refrigerant leaks

WASTE MANAGEMENT BY DISPOSAL METHOD, IN TONNES AND % – ABSOLUTE AND LIKE-FOR-LIKE (EPRA codes: Waste-Abs and Waste-LfL)

		Absolute						Like-for-like					
		2019		2020		2021		2019		2020		2021	
		in tonnes	in %	in tonnes	in %	in tonnes	in %	in tonnes	in %	in tonnes	in %	in tonnes	in %
Reused		0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Recycled		200	26.2%	95	16.5%	48	8.9%	186	26.0%	95	17.4%	48	8.9%
Composted		0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Incincerated with energy recovery		328	43.0%	375	65.0%	243	45.1%	322	44.9%	362	66.0%	243	45.1%
Other form of reuse		84	10.9%	40	6.9%	176	32.7%	84	11.6%	40	7.2%	176	32.7%
Incinerated without energy recovery		107	14.0%	27	4.7%	3	0.5%	92	12.8%	15	2.7%	3	0.5%
Other		11	1.4%	4	0.7%	2	0.4%	0	0.0%	1	0.3%	2	0.4%
Landfilled		34	4.4%	36	6.2%	67	12.5%	34	4.7%	36	6.5%	67	12.5%
Total		**763**	**-**	**577**	**-**	**538**	**-**	**718**	**-**	**548**	**-**	**538**	**-**
Coverage rate	Number of assets	8/15		8/15		7/13		7/13					
	% of total sq.m.	83%		83%		84%		84%					
EPRA code		Waste-Abs						Waste-LfL					

NUMBER OF BUILDINGS-IN-USE AND PERCENTAGE OF PORTFOLIO CERTIFIED BY TYPE AND LEVEL OF CERTIFICATION (EPRA code: Cert-Tot)

			2019		2020		2021	
			Number of assets	% of sq.m.	Number of assets	% of sq.m.	Number of assets	% of sq.m.
Buildings in use	BREEAM In-Use	**Total**	**18**	**100%**	**17**	**100%**	**13**	**100%**
		≥Very Good	18	100%	17	100%	13	100%
		≥Excellent	7	55%	6	54%	1	14%
Properties being redeveloped	**At least one certification**		**5**	**22%**	**5**	**22%**	**4**	**27%**
	BREEAM New Construction		2	12%	2	13%	2	17%
	LEED		1	10%	1	10%	1	14%
	HQE		4	19%	4	20%	3	24%
Scope	Number of assets		18/18		17/17		13/13	
	Coverage rate (in % of sq.m.)		100%		100%		100%	

SUMMARY TABLE OF EPRA INDICATORS FOR PROPERTIES IN-USE

Topic	Indicator	EPRA code	Unit	2019	2020	2021	Change 19/21	Coverage rate
Certifications								
	Number of assets BREEAM In-Use-certified assets	Cert-Tot	Number of assets	18	17	13	–	100%
	% of portfolio certified by value	Cert-Tot	% of portfolio certified by value	100%	100%	100%	0.0%	100%
Energy								
	Total use of electricity from renewable sources – absolute	Elec-Abs	MWh	9,494	10,366	10,583	11.5%	100%
	Total use of electricity from non-renewable sources – absolute	Elec-Abs	MWh	17,463	15,461	14,633	-16.2%	100%
	Total use of electricity from renewable sources – like-for-like	Elec-LfL	MWh	9,316	10,187	10,583	13.6%	100%
	Total use of electricity from non-renewable sources – like-for-like	Elec-LfL	MWh	17,134	15,208	14,633	-14.6%	100%
	Total energy use, district heating and cooling networks – absolute	DH&C-Abs	MWh	23,337	16,958	16,188	-30.6%	100%
	Total energy use, district heating and cooling networks – like-for-like	DH&C-LfL	MWh	21,151	16,562	16,188	-23.5%	100%
	Total fuel use – absolute	Fuels-Abs	MWh	685	584	778	13.6%	100%
	Total fuel use – like-for-like	Fuels-LfL	MWh	685	584	778	13.5%	100%
	Energy use intensity – absolute	Energy-Int	kWh/sq.m.	231	191	196	-15.2%	100%
	Energy use intensity – like-for-like	Energy-Int	kWh/sq.m.	231	194	196	-15.0%	100%
Greenhouse gas emissions								
	Total direct greenhouse gas (GHG) emissions (Scope 1) – absolute	GHG-Dir-Abs	tCO_2e	126	102	131	4.2%	100%
	Total indirect greenhouse gas emissions (location-based Scope 2) – absolute	GHG-Indir-Abs	tCO_2e	2,973	2,435	2,604	-12.4%	100%
	Total indirect greenhouse gas emissions (market-based Scope 2) – absolute	GHG-Indir-Abs	tCO_2e	2,441	2,091	2,339	-4.2%	100%
	Carbon intensity	GHG-Int	$kgCO_2e$/sq.m.	7.9	7.1	8.3	4.7%	100%
Water								
	Total water use – absolute	Water-Abs	cu.m.	159,579	126,216	92,835	-41.8%	100%
	Total water use – like-for-like	Water-LfL	cu.m.	151,519	123,633	92,835	-38.7%	100%
	Water use intensity – absolute	Water-Int	cu.m./sq.m.	0.49	0.41	0.31	-36.7%	100%
	Water use intensity – like-for-like	Water-Int	cu.m./sq.m.	0.51	0.42	0.31	-38.7%	100%
Waste								
	Total waste produced, by disposal method – absolute	Waste-Abs	tonnes	763	577	538	-29%	84%
			% re-used	0%	0%	0%	–	
			% recycled	26%	16%	9%	-66%	
			% composted	0%	0%	0%	–	
			% incincerated with energy recovery	43%	65%	45%	5%	
			% other form of reuse	11%	7%	33%	199%	
			% incinerated without energy recovery	14%	5%	0%	-97%	
			% other	1%	1%	0%	-75%	
			% landfilled	4%	6%	13%	184%	
	Total waste produced, by disposal method – like-for-like	Waste-LfL	tonnes	718	548	538	-25%	84%
			% re-used	0%	0%	0%	–	
			% recycled	26%	17%	9%	-66%	
			% composted	0%	0%	0%	–	
			% incincerated with energy recovery	45%	66%	45%	0%	
			% other form of reuse	12%	7%	33%	181%	
			% incinerated without energy recovery	13%	3%	0%	-96%	
			% other	0%	0%	0%	–	
			% landfilled	5%	7%	13%	167%	

EPRA methodological note (in addition to the methodological information presented in section 7.4.)
– 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.

7.5.3. Environmental indicators – Head office occupied by SFL

Topic	Indicator	EPRA code	Unit	2019	2020	2021
Certifications						
	% of head office certified	Cert-Tot	% of head office	100%	100%	100%
Energy						
	Total use of electricity from renewable sources	Elec-Abs &	MWh	82.8	73.4	80.1
	Total use of electricity from non-renewable sources	Elec-LfL	MWh	152.5	136.4	110.7
	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.	115.8	103.2	93.8
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	4.8	6.3	5.8
	Carbon intensity	GHG-Int	$kgCO_2e$/sq.m.	2.4	3.1	2.8
Water						
	Total water use	Water-Abs & Water-LfL	cu.m.	401.1	334.3	327.7
	Water use intensity	Water-Int	cu.m./sq.m.	0.197	0.165	0.161
Waste						
			% recycled	100%	20%	13%
			% re-used	0%	44%	73%
			% composted	0%	0%	0%
			% incinerated	0%	0%	0%
			% disposed of by another method	0%	0%	0%
			% landfilled	0%	36%	14%

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 2019-2021 period.

7.5.4. Employee, societal and governance indicators

Topic	EPRA code	Indicator	Unit	2019	2020	2021	Comments
Diversity							
	Diversity-Emp	Percentage of men and women on the Board of Directors	Number of women	6	6	5	
			% of women	43%	43%	42%	
			Number of men	8	8	7	
			% of men	57%	57%	58%	
		Percentage of men and women on the Management Committee	Number of women	2	3	3	Number of Management Board members at 31 December, including the Chief Executive Officer
			% of women	25%	33%	38%	
			Number of men	6	6	5	
			% of men	75%	67%	62%	
		Percentage of men and women managers, excluding the Management Committee	Number of women	30	27	27	Number of employees at 31 December
			% of women	58%	55%	57%	
			Number of men	22	22	20	
			% of men	42%	45%	43%	
		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	45	43	43	Total number of employees at 31 December, excluding the Chief Executive Officer
			% of women	61%	60%	62%	
			Number of men	29	29	26	
			% of men	39%	40%	38%	
	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%	13%	-4%	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%	18%	16%	
		The ratio of the total compensation of men to women in other categories	%	-4%	-6%	-8%	
		The ratio of the total compensation of men to women in the entire workforce	%	29%	29%	23%	
Training							
	Emp-Training	Total number of training hours	Number	1,575	1,269	1,323	
		Number of employees trained	Number	66	58	51	
		Average number of hours per trainee	Number	24	22	26	
		% of employees trained	%	94%	80%	71%	*Number of employees trained/ average number of employees*
		% of payroll allocated to training	%	3.31%	2.35%	2.28%	
Assessment							
	Emp-Dev	% of employees who received performance reviews during the year	%	90%	96%	94%	*Number of reviews/ number of eligible employees*

Topic	EPRA code	Indicator	Unit	2019	2020	2021	Comments
Attracting and retaining talent							
	Emp-Turnover	New employee hires under permanent contracts	Number	12	5	6	
		New employee hires under fixed-term contracts	Number	3	1	0	
		Total new hires	Number	15	6	6	
		Terminations by mutual agreement	Number	2	3	3	
		Expiries of fixed-term contracts	Number	1	3	0	
		Resignation	Number	3	1	3	
		Dismissal	Number	0	0	2	
		Total departures	Number	9	8	9	*Including 1 retirement*
		Turnover	%	14.23%	6.24%	10.61%	*(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	1	0	2	2 commuting accidents without lost time
		Accident frequency rate	Rate	40.34	0	0	(No. of accidents with initial benefit payment reported per one million hours worked)
		Accident severity rate	Rate	0.29	0	0	*(No. of days lost due to temporary disability per 1,000 hours worked)*
		Short-term absenteeism rate	Rate	0.70%	0.80%	0.40%	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 2019, 2020 or 2021*
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 7.3.*

GOVERNANCE INDICATORS				
Topic	EPRA code	Indicator		Explanation
Governance				
	Gov-Board	Composition of the Board of Directors	Description	*See pages 91 to 107 of the Universal Registration Document*
	Gov-Select	Nomination and selection process for the Board of Directors	Description	*See pages 91 to 107 of the Universal Registration Document*
	Gov-Col	Procedure for managing possible conflicts of interest	Description	*See pages 91 to 107 of the Universal Registration Document*

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

7.6. 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 issues	Contribution to the Sustainable Development Goals
Revitalise and reinvent the city	Urban footprint	11 SUSTAINABLE CITIES AND COMMUNITIES
	Location & accessibility	
	Building resilience	
Offer comfortable, flexible, convivial environments	Convenience & amenities	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
	Certifications & labels	
	Tenant relations & satisfaction	
Project ourselves into a low-carbon future	Low-carbon strategy	13 CLIMATE ACTION; 7 AFFORDABLE AND CLEAN ENERGY; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 15 LIFE ON LAND
	Circular economy	
	Biophilia	
Encourage engagement by our employees and partners	Employer appeal, development & diversity	3 GOOD HEALTH AND WELL-BEING; 5 GENDER EQUALITY; 10 REDUCED INEQUALITIES; 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
	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

7.7. Data verification

Report by one of the Statutory Auditors on a selection of non-financial information disclosed in the management report (see following pages).

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

Year ended 31 December 2021

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 Auditors of Société Foncière Lyonnaise (hereinafter "the entity") appointed as independent third party accredited by COFRAC under number 3-1048 (scope of accreditation available on www.cofrac.fr) and in the process of aligning our management system with changes in our accreditation process mandated by COFRAC to upgrade from ISO 17020 to ISO 17029 standards, we conducted procedures to enable us to provide a reasoned opinion expressing a limited assurance conclusion on the fairness of a sample of historical information (the "Information") found in or extrapolated from the non-financial information statement (the "Statement"), prepared in accordance with the entity's procedures (the "Reporting Guidelines") for the year ended 31 December 2021, as presented in the Group Management Report.

The Information, selected by the entity, is as follows:
- 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 (horizontal or vertical) in sq.m. and % of the portfolio's total footprint.

Conclusion

Based on the procedures we performed, as described in the "Nature and scope of our work" section, and the audit evidence we obtained, we did not identify any material anomaly likely to call into question the fact that the Information, taken as a whole, is presented fairly, in accordance with the Reporting 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.

Preparation of the Statement

The lack of any generally accepted and commonly used reference frameworks or established practices available to assess and measure the Information means that a variety of different, but equally acceptable, measurement techniques may be used, which may affect comparability between entities and over time.

As a result, the Information should be read and understood with reference to the Reporting Guidelines, whose material aspects are presented in the Statement and available upon request from the entity's head office.

Limitations inherent in the preparation of Statement information

The Information may be subject to inherent uncertainty because of incomplete scientific and economic knowledge and due to the quality of the external data used. Some information is sensitive to the choice of metrics, assumptions or estimates used in its preparation and disclosed in the Statement.

Responsibility of the entity

The Board of Directors is responsible for selecting or defining appropriate guidelines for preparing the Information and for implementing the internal control procedures it deems necessary for the disclosure of Information free of material misstatement, whether due to fraud or error.

The Statement has been prepared in accordance with the entity's Reporting Guidelines as mentioned above.

Responsibility of the Statutory Auditor appointed as an independent third party

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.

Moreover, given that our responsibility is also to express an independent conclusion on the information, as prepared by management, we are not authorized to participate in any way in its preparation, as this could compromise our independence.

It is not our responsibility to comment on the entity's compliance with other applicable legal and regulatory provisions, in particular the prevention of corruption and tax evasion, or on the compliance of products and services with applicable regulations.

Regulatory provisions and applicable professional standards

Our work described below was performed in accordance with the professional guidance issued by the French Institute of Statutory Auditors *(Compagnie nationale des commissaires aux comptes)* relating to this non-audit engagement and with the International Standard on Assurance Engagements (ISAE) 3000 Revised.

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 implemented a system of quality control including documented policies and procedures regarding compliance with applicable legal and regulatory requirements, ethical standards and the professional guidance issued by the French Institute of Statutory Auditors concerning this engagement.

Means and resources

Our work was carried out by a team of four people between January and February 2022 and took around two weeks.

We were assisted in our work by our specialists in sustainable development and corporate social responsibility. We conducted around ten interviews with the persons responsible for preparing the Statement, representing in particular the departments in charge of health and safety, the environment, sustainable development and purchasing.

Nature and scope of our work

We planned and performed our work considering the risk of material misstatement of the Information.

We believe that the procedures that we performed, based on our professional judgement, are sufficient to provide a basis for a limited assurance conclusion:

- We reviewed the business activities of all the companies included in the scope of consolidation.
- 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 Statement covers the scope of consolidation, i.e., all the companies included in the scope of consolidation in accordance with Article L. 233-16.
- We reviewed the internal control and risk management procedures implemented by the entity and assessed the data collection process designed to ensure the 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;
  - substantive tests, using sampling or other selection methods, to verify the proper application of definitions and procedures and reconcile the data with the supporting documents. These procedures were conducted for a selection of contributing entities[1] and covered between 10% and 100% of the consolidated data selected for these tests.
- We assessed the overall consistency of the Statement based on our knowledge of all the entities included in the scope of consolidation.

The procedures performed in a limited assurance engagement are less extensive than those required in a reasonable assurance engagement performed in accordance with the professional guidance issued by the French Institute of Statutory Auditors; a higher level of assurance would have required us to carry out more extensive procedures.

Paris-La Défense, 24 February 2022
French original signed by one of the Statutory Auditors

Deloitte & Associés

Sylvain Durafour Partner, Audit	Catherine Saire Partner, Sustainable Services

(1) The #cloud.paris and Édouard VII buildings.

14. Appendices

Appendix 14.1 – Board of Directors' special report to the Annual General Meeting of 7 April 2022 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 2021. 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 the year to the Chairman, the Chief Executive Officer or the Managing Director in respect of directorships or corporate functions held in SFL:
None.

2) Number of stock options granted during the year to the Chairman, the Chief Executive Officer or the Managing Director by any companies in which SFL has a controlling interest in respect of directorships or corporate functions held in those companies:
None.

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

4) Number, exercise period and exercise price of stock options granted during the year 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 during the year by the companies mentioned in 1) and 2) above to all eligible employees:
None.

The Board of Directors

Appendix 14.2 – Board of Directors' special report to the Annual General Meeting of 7 April 2022 on performance share plans

(prepared in accordance with Article L.225-197-4 of the French Commercial Code)

1. Plan 5

In compliance with Article L.225-197-4 of the French Commercial Code, we hereby present our 2021 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 second extraordinary resolution of that Meeting to set up Performance Share Plan 5. The Board also adopted the plan's rules, which apply to all performance share grants that may be decided by the Board pursuant to this authorisation.

At its meeting on 11 February 2021, based on the recommendation issued by the Remuneration and Selection Committee following its meeting of 8 February 2021 and by a unanimous vote, the Board drew up the list of Plan 5 performance share recipients for 2021 and decided that the performance share rights would be granted on 11 February 2021.

1.1 Framework for the performance share plan

1.1.1. 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%.

• Performance share grants decided by the Board of Directors on 11 February 2021

At its meeting on 11 February 2021, the Board of Directors decided to grant 66,920 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.

1.1.2. 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 shares granted to the Chairman, the Chief Executive Officer and the Managing Director in 2021

Of the total 66,920 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 2021	Maximum number: 20,000 Target number: 10,000 Value*: €545,900	Maximum number: 16,000 Target number: 8,000 Value*: €436,720	Maximum number: 6,000 Target number: 3,000 Value*: €163,770

* 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 11 February 2021 is €54.590.

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
Fabienne Boileau	2,800	1,400	76,426
Pierre-Yves Bonnaud	2,800	1,400	76,426
François Derrian	2,800	1,400	76,426
Émilie Germane	2,800	1,400	76,426
Aude Grant	2,800	1,400	76,426
Éric Oudad	2,800	1,400	76,426
Stéphane Blanc	800	400	21,836
Thierry Buhot	800	400	21,836
Virginie Krafft	800	400	21,836
Caroline Nguyen	800	400	21,836
Fabrice Ruchaud	800	400	21,836
Nicolas Tennevet	800	400	21,836

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

- **Performance shares granted to employees in 2021**

Category of grantees	Number of grantees	Maximum number of performance shares	Target number of performance shares	Value of performance shares
Management Committee members	6	16,800	8,400	458,556
Category 3 and 4 executives	12	6,104	3,052	166,609
Category 1 and 2 executives	36	2,016	1,008	55,027

1.2 Characteristics of Performance Share Plan 5

1.2.1. 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.

1.2.2. Vesting period and conditions, performance targets

Vesting date

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 11 February 2021 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 2023).

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 tangible assets (NTA)* per share over the vesting period, as calculated by adding back dividends paid in each year of said period.

* At its meeting on 19 November 2021, the Board of Directors, on the recommendation of the Remuneration and Selection Committee, approved a first amendment to Plan 5 due to the change in EPRA indicators. Following this amendment, from 1 January 2021, the ANAV performance indicator has been replaced by Net Tangible Assets (NTA), which is the closest EPRA indicator to the traditional NAV.

In addition, in light of the change in the Company's ownership structure resulting from the Colonial transaction involving SFL shares (see section 2.1.4 on pages 7 and 8 of the Management Report) and the fact that the Company is currently in a transition period, a second amendment approved by the Board of Directors on 19 November 2021 states that in the event of developments in the Group that have an adverse effect on the Company or on the achievement of its performance objectives, the assessment of the Plan 5 performance objectives could be adjusted accordingly by the Board of Directors.

1.2.3. 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 10%* of the shares for the remainder of their period of service with the Company or another Group entity, as applicable.

* A third amendment to the rules of Plan 5 approved by the Board of Directors on 19 November 2021 reduced from 40% to 10% the proportion of shares to be retained by the Chairman, the Chief Executive Officer and the Managing Director beyond the lock-up period.

All the amendments to Plan 5 adopted by the Board of Directors on 19 November 2021 are applicable to performance share rights that have not yet vested, corresponding to performance share grants voted on 15 February 2019, 6 February 2020 and 11 February 2021.

1.3 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.

1.4 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.

2. Plan 6

In line with the 38-month authorisation given by the Annual General Meeting of 15 April 2021, and based on the Remuneration and Selection Committee's recommendations of 19 November 2021 and 8 February 2022, at its meeting on 18 February 2022, the Board of Directors decided to set up a new performance share plan (Plan 6).

The Plan 6 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 tangible assets (NTA) 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, the Chief Executive Officer and the Managing Director will be required to keep 10% of the shares for the remainder of their period of service with the Company or another Group entity, as applicable.

Adjustments that may be decided by the Board of Directors

Under the terms of Plan 6, the Board of Directors undertakes to make any adjustments that it considers necessary to reflect the impact of certain transactions affecting the Company's equity. The Board of Directors will use its best efforts to take into account the possible income tax and payroll tax implications of any such adjustment for both the grantees and the Company.

No grants were made under Plan 6 during 2021.

The Board of Directors

Appendix 14.3 – Five-year financial summary (parent company) (prepared in accordance with Article R.225-102 of the French Commercial Code)

	2017	2018	2019	2020	2021
I. Capital at 31 December					
Share capital	€93,057,948	€93,057,948	€93,057,948	€93,057,948	€85,729,430
Number of ordinary shares outstanding	46,528,974	46,528,974	46,528,974	46,528,974	42,864,715
Number of convertible bonds outstanding	–	–	–	–	–
II. Results of operations					
Net revenue	€101,421,937	€107,699,004	€108,128,662	€101,508,459	€88,187,230
Profit before tax, employee profit-sharing, depreciation, amortisation and provisions	€317,127,680	€67,271,823	€94,349,806	€87,047,654	€1,129,794,847
Income tax expense	(€48,294)	(€4,466)	(€45,000)	(€361,000)	(€48,800)
Employee profit-sharing due for the year	€2,327,288	(€77,124)	€151,493	€141,133	€5,850,402
Profit after tax, employee profit-sharing, depreciation, amortisation and provisions	€272,390,385	€22,245,051	€58,206,015	€42,992,080	€1,093,150,824
Ordinary dividend[1]	€107,016,640	€123,301,781	€123,301,781	€97,710,845	€180,031,803
III. Per share data[2]					
Earnings after tax and employee profit-sharing, before depreciation, amortisation and provisions	€6.82	€1.45	€2.03	€1.87	€26.22
Earnings after tax, employee profit-sharing, depreciation, amortisation and provisions	€5.85	€0.48	€1.25	€0.92	€25.50
Dividend per share	€2.30	€2.65	€2.65	€2.10	€4.20
IV. Employee data					
Average number of employees	65	61	62	62	60
Total payroll	8,812,127	9,410,685	10,829,216	12,379,210	12,923,032
Total employer contributions	3,874,699	3,414,252	3,573,264	3,965,273	4,565,668

(1) Not including dividends not paid on shares held in treasury.
(2) The transactions involving SFL shares carried out on 4 August 2021 led to the capital being reduced through the cancellation of 3,664,259 shares.

Appendix 14.4 – 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 (*Code de commerce*), we hereby present our report on the composition and procedures of the Board of Directors and its Committees, the changes that took place in 2021, 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, and (ii) the total remuneration and benefits paid or awarded to the Chairman of the Board of Directors, the Chief Executive Officer and the Managing Director for 2021.

This report covers the period from 1 January to 31 December 2021. It was approved by the Board of Directors on 18 February 2022.

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 2021)

Issue	AFEP-MEDEF recommendation	SFL's situation at 31 Dec. 2021	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).	As of 31 December 2021, three of the 12 directors were independent, representing 25%.	The membership of the Board of Directors in 2021 reflected the direct involvement in the Board's work of Colonial, SFL's majority shareholder, and Predica, a minority shareholder until August 2021. Of the nine non-independent directors as of 31 December 2021, (i) eight were elected on the recommendation of Colonial and (ii) one was elected on 13 November 2015 on the recommendation of a minority shareholder. 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%). Until August 2021, the Board comprised 14 members, including two non-independent members elected on the recommendation of Predica (see section 3.1 of this report).
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 three Audit Committee members is independent (1/3).	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.
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 other directors no longer 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. Some directors tendered their shares to the simplified cash and paper offer for SFL shares initiated by Colonial, SFL's majority shareholder, in 2021 (see section 2.1.4 on page 7 of the Management Report).

Issue	AFEP-MEDEF recommendation	SFL's situation at 31 Dec. 2021	Rationale
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 120 and 121 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 2021.	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 new formal assessment of the Board's practices will be organised soon.

2. Executive management and the Management Committee as of 31 December 2021

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 was re-elected as a director for a one-year term at the Annual General Meeting on 15 April 2021. At its meeting held immediately after the Annual General Meeting, the Board of Directors confirmed Juan José Brugera Clavero's appointment as Chairman for the remainder of his term as director.

He will once again stand for re-election as a director at the Annual General Meeting on 7 April 2022.

However, as Juan José Brugera Clavero turned 75 in October 2021, he will be required to step down from the position of Chairman at the end of the Annual General Meeting of 7 April 2022 called to approve the 2021 financial statements, in accordance with Article 17 of the Company's Articles of Association. Consequently, at its meeting held immediately after the Annual General Meeting of 7 April 2022, the Board of Directors will appoint one of its members to serve as its new Chairman.

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 2021

The positions and directorships held as of 31 December 2021 by Nicolas Reynaud, Chief Executive Officer, and Dimitri Boulte, Managing Director, are presented below.

The positions and directorships held as of 31 December 2021 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 2021:
In France – SFL Group
– Chief Executive Officer: Société Foncière Lyonnaise (SA)
– Chairman and Chief Executive Officer: Segpim (SA)
– Chairman: Parholding (SAS)
– Legal Manager: Parhaus, Pargal, Parchamps (SCIs)
Other directorships and positions held in the past five years:
– Chief Executive Officer: Parholding (SAS)
– Member: Parholding Shareholders' Committee, representing SFL
– Director representing SFL on the Management Board of SCI Washington

Dimitri Boulte, Managing Director
Business address: 42 rue Washington, 75008 Paris (France)
Directorships and other positions held in 2021:
In France – SFL Group
– Chief Operating Officer: SFL
– Chairman: Locaparis (SAS)
– Director: Segpim (SA)
– Chief Executive Officer: Parholding
Other directorships and positions held in the past five years:
– Member: Parholding Shareholders' Committee, representing SFL
– Director representing SFL on the Management Board of SCI Washington

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 11 February 2021 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 2021

The members of the Management Committee as of 31 December 2021 were as follows:
- Nicolas Reynaud: Chief Executive Officer
- Dimitri Boulte: Managing Director, Chief Operating Officer
- Fabienne Boileau: Chief Financial Officer
- Pierre-Yves Bonnaud: Asset Management and Client Management Director
- François Derrian: Human Resources Director
- Émilie Germane: Legal Director, General Secretary, Secretary to the Board
- Aude Grant: Deputy Managing Director, Asset Management and Investment
- Éric Oudard: Technical and Development Director

Nicolas Reynaud (60), 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 (44), 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.

Fabienne Boileau (54), 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 (52), 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 (40), 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 (44), 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 (53), 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 (45), Legal Director, General Secretary, Secretary to the Board
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 2021, three of the eight Management Committee members were women (37.5%).

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 2021

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

As of 31 December 2021, the Board had 12 members (versus 14 as of 31 December 2020), following the resignation of two directors during the year.

On 12 July 2021, Najat Aasqui and Jean-Jacques Duchamp formally notified the Chairman of the Board of Directors of their intention to step down from the Board with effect on and subject to (i) completion of the contribution by Predica to Colonial of 2,328,644 SFL shares and (ii) the purchase by SFL of 3,664,259 of its own shares from Predica under the buyback programme (as provided for in the Sale and Exchange agreement between SFL and Predica dated 3 June 2021 described on page 7 and 8 of the Management Report). These conditions were fulfilled on 4 August 2021, and the two directors stepped down from the Board on that date. The two resignations were formally noted by the Board of Directors at its meeting on 19 November 2021.

The composition of the Board of Directors as of 31 December 2021 was 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
– One director elected on the recommendation of Qatar Holding LLC and DIC Holding LLC[1]:
  • Ali Bin Jassim Al Thani
– Three independent directors:
  • Arielle Malard de Rothschild
  • Alexandra Rocca
  • Anthony Wyand

(1) At the time of Ali Bin Jassim Al Thani's election as a director by the General Meeting of 13 November 2015, Qatar Holding LLC and DIC Holding LLC, acting in concert, held 13.64% and 8.56% of SFL's share capital respectively.
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.

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.

As of 31 December 2021, three directors were aged 70 and over, five were aged between 56 and 69, and four were under the age of 56.

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.

The Chairman of the Board of Directors, having turned 75 during the 2021 financial year, will be required to step down from the position of Chairman at the end of the Annual General Meeting of 7 April 2022 called to approve the 2021 financial statements (see section 2.1 of this report).

The qualifications and professional experience of each director are presented on pages 98 *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 12 members of the Board of Directors as of 31 December 2021, five were women. At 42%, the proportion of women on the Board as of that date was in line with the requirements of Articles L.22-10-3 and L.225-18-1 of the French Commercial Code.

The Company aims to maintain this gender balance and the Board's diversity in 2022.

Care is taken to ensure that the number of directors and the capabilities, skills and expertise represented on the Board are aligned with the Company's needs and contribute to the Board's efficient organisation and practices, by fostering constructive discussions and decisions that contribute effectively to the Company's sustainable growth.

To contribute to the Board's diversity, when a seat on the Board falls vacant and 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 2021 – Situation as of 31 December 2021

	Re-elected	Elected/appointed	Resigned
Board of Directors	Angels Arderiu Ibars 15 April 2021 Nuria Oferil Coll 15 April 2021 Juan José Brugera Clavero 15 April 2021 Ali Bin Jassim Al Thani 15 April 2021 Anthony Wyand 15 April 2021	–	Najat Aasqui 4 August 2021 Jean-Jacques Duchamp 4 August 2021
Audit Committee	–	–	Jean-Jacques Duchamp 4 August 2021
Remuneration and Selection Committee	–	–	–
Committee of Independent Directors	–	–	–
Executive and Strategy Committee	–	–	Jean-Jacques Duchamp 4 August 2021

3.4. Directors proposed for re-election to the Board at the Annual General Meeting of 7 April 2022

The terms of the following directors will expire at the Annual General Meeting called on 7 April 2022 to approve the 2021 financial statements: Arielle Malard de Rothschild, Juan José Brugera Clavero, Pere Viñolas Serra, Carlos Fernandez-Lerga Garralda and Anthony Wyand.

At that meeting, shareholders will be asked to re-elect Arielle Malard de Rothschild and Pere Viñolas Serra as directors 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 2024,

and to re-elect Juan José Brugera Clavero as a director 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 2022.

In accordance with the Articles of Association, Juan José Brugera Clavero is proposed for re-election for a one-year term because he is over 70 years of age, while the other directors are proposed for standard three-year terms.

Arielle Malard de Rothschild, Juan José Brugera Clavero and Pere Viñolas Serra have all confirmed that they wish to stand for re-election and that they are not disqualified from serving as directors.

Concerning the two other directors, Carlos Fernandez-Lerga Garralda and Anthony Wyand, at its meeting on 18 February 2022, the Board of Directors unanimously decided not to propose their re-election or their replacement on the Board at the Annual General Meeting of 7 April 2022.

At the same meeting, the Board of Directors also noted that four directors representing Colonial – Nuria Oferil Coll, Angels Arderiu Ibars, Carlos Krohmer and Luis Maluquer Trepat – would be stepping down from the Board at the end of the Annual General Meeting of 7 April 2022.

The reduction in the size of the Board follows the increase in Colonial's ownership of SFL and will simplify the Company's governance and processes.

The composition of the Board at the end of the Annual General Meeting, with six members including two independent directors, will continue to comply with the related provisions of the French

Commercial Code and the AFEP-MEDEF Corporate Governance Code to which the Company refers.

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 91, 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 91 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 2021

Juan José Brugera Clavero, Chairman of the Board of Directors 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).

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 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.

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 also served as Lead Independent Director of Gamesa Corporacion Tecnologica and Chairman of Iberdrola Ingenieria y Construccion 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), and a director of Sagard Holdings (Canada).

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 an independent 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 2021

		Personal information				Experience	Position on the Board				Membership of Board Committees*			
		Age	Gender	Nationality	Number of shares	Directorships of listed companies	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
Juan José Brugera Clavero (Chairman of the Board of Directors)		75	M	Spanish	14,575	2	No	23 July 2008	2022 AGM	13.5	–	–	C	–
Directors	Ali bin Jassim Al Thani	62	M	Qatari	25	3	No	13 Nov. 2015	2024 AGM	6.5	–	–	–	–
	Angels Arderiu Ibars	55	F	Spanish	0	1	No	4 March 2014	2024 AGM	8.0	–	–	–	–
	Carlos Fernandez-Lerga Garralda	72	M	Spanish	0	1	No	23 July 2008	2022 AGM	13.5	C	–	–	–
	Carmina Ganyet i Cirera	53	F	Spanish	30	2	No	20 July 2009	2023 AGM	12.5	M	–	M	–
	Carlos Krohmer	50	M	German	30	1	No	24 April 2014	2023 AGM	8.0	–	–	–	–
	Arielle Malard de Rothschild	58	F	French	25	2	Yes	26 July 2018	2022 AGM	3.5	M	M	–	M
	Luis Maluquer Trepat	66	M	Spanish	0	2	No	11 June 2010	2023 AGM	11.5	–	–	–	–
	Nuria Oferil Coll	47	F	Spanish	25	1	No	13 Nov. 2015	2024 AGM	6.5	–	–	–	–
	Alexandra Rocca	59	F	French	0	1	Yes	15 Feb. 2019	2023 AGM	3	–	–	–	M
	Pere Viñolas Serra	59	M	Spanish	0	2	No	23 July 2008	2022 AGM	13.5	–	M	M	–
	Anthony Wyand	78	M	British	100	1	Yes	21 March 1995	2022 AGM	27.0	–	C	–	M

* 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 98)
- **Current directorships and positions**
  – Directorships and positions – SFL Group:
  - Chairman of the Board of Directors (SFL)
  - Chairman of the Executive and Strategy Committee (SFL)

  – Directorships and positions – Outside the SFL Group:

Position	Company	Listed	Country
Chairman of the Board	Inmobiliaria Colonial, SOCIMI, SA	Yes	Spain
Chairman of the Executive and Strategy Committee			

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

Sheikh Ali Bin Jassim Al Thani

- **Main areas of expertise and experience**
  (see page 98)
- **Current directorships and positions**
  – Directorships and positions – SFL Group:
  - Director of SFL

  – Directorships and positions – Outside the SFL Group:

Position	Company	Listed	Country
Chairman of the Board	Eagle SPPICAV (SAS)		France
Chairman of the Board	52 Capital (SA)		France
Chairman of the Board	Diamond SPPICAV (SAS)		France
Chairman of the Board of Directors and Chief Executive Officer:	Elypont (SA)		France
Director	Inmobiliaria Colonial, SOCIMI, SA	Yes	Spain
Chairman	Qatar General Insurance & Reinsurance Co		Qatar
Vice Chairman	Libyan Qatari Bank (LQB)		
Member of the Supervisory Board	Hapag-Lloyd AG	Yes	Germany

- **Other directorships and positions held in the past five years**
  None.

Angels Arderiu Ibars

- **Main areas of expertise and experience**
  (see page 98)
- **Current directorships and positions**
  – Directorships and positions – SFL Group:
    - Director of SFL
  – Directorships and positions – Outside the SFL Group:

Position	Company	Listed	Country
Chief Financial Officer	Inmobiliaria Colonial, SOCIMI, SA	Yes	Spain

- **Other directorships and positions held in the past five years**
  None.

Carlos Fernandez-Lerga Garralda

- **Main areas of expertise and experience**
  (see page 98)
- **Current directorships and positions**
  – Directorships and positions – SFL Group:
    - Director of SFL
    - Chairman of the Audit Committee (SFL)
  – Directorships and positions – Outside the SFL Group:

Position	Company	Listed	Country
Director	EUR-Consultores SL		Spain
Chairman			
Director	Iberdrola Nuclear		Spain

- **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)*
  - Independent director, member of the Executive Committee, member of the Audit Committee, Chairman of the Remuneration and Selection Committee of Inmobiliaria Colonial, SOCIMI, SA (Spain)
  - Director of El Econômista/Ecoprensa (SA) *(Spain)*

Carmina Ganyet i Cirera

- **Main areas of expertise and experience**
  (see page 98)
- **Current directorships and positions**
  – Directorships and positions – SFL Group:
    - Director of SFL
    - Member of the Audit Committee (SFL)
    - Member of the Executive and Strategy Committee (SFL)
  – Directorships and positions – Outside the SFL Group:

Position	Company	Listed	Country
Chief Executive Officer – Corporate Division	Inmobiliaria Colonial, SOCIMI, SA	Yes	Spain
Member of the Board of Directors Member of the Audit Committee Chairman of the Nominations Committee and the Remunerations Committee	REPSOL	Yes	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 98)
- **Current directorships and positions**
  – Directorships and positions – SFL Group:
    - Director of SFL
  – Directorships and positions – Outside the SFL Group:

Position	Company	Listed	Country
Development Director – Corporate Division	Inmobiliaria Colonial, SOCIMI, SA	Yes	Spain
Member of the Executive Committee	Kreis Deutschprachiger Führungskräfte		Germany

- **Other directorships and positions held in the past five years**
  None.

Arielle Malard de Rothschild

- **Main areas of expertise and experience**
  (see page 99)
- **Current directorships and positions**
  – Directorships and positions – SFL Group:
    - Independent director
    - Member of the Audit Committee (SFL)
    - Member of the Remuneration and Selection Committee (SFL)
  – Directorships and positions – Outside the SFL Group:

Position	Company	Listed	Country
Managing Director	Rothschild & Cie (SCS)		France
Member of the Supervisory Board: Member of the Risk Committee Member of the Audit Committee	Rothschild & Co (SCA)	Yes	France
Director	Sagard Holding Inc		Canada
Director	Sagard Holding Management		Canada

- **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 99)
- **Current directorships and positions**
  – Directorships and positions – SFL Group:
  - Director of SFL
  – Directorships and positions – Outside the SFL Group:

Position	Company	Listed	Country
Independent director Member of the Audit Committee Member of the Remuneration and Selection Committee Member of the Executive Committee Coordinating Advisor	Inmobiliaria Colonial, SOCIMI, SA	Yes	Spain
Director	Filux (SA)	Yes	Spain
Director	Vitek (SA)		Spain
Director	M&M Entertainment (SL)		Spain
Member of the Board of Directors	Camara Argentina de Comercio en España		Spain
Lawyer	Maluquer Advocats, SCP		Spain

- **Other directorships and positions held in the past five years**
  - Director:
    - Maluquer Advocats (SCP) *(Spain)*
    - Praeverto (SLP) *(Spain)*
    - Pineapple Tree (SL) *(Spain)*
  - Chairman of Cámara Argentina de Comercio en España (Spain)

Nuria Oferil Coll

- **Main areas of expertise and experience**
  (see page 99)
- **Current directorships and positions**
  – Directorships and positions – SFL Group:
  - Director of SFL
  – Directorships and positions – Outside the SFL Group:

Position	Company	Listed	Country
Legal Director Vice Secretary of the Board of Directors and the Committees of the Board	Inmobiliaria Colonial, SOCIMI, SA	Yes	Spain

- **Other directorships and positions held in the past five years**
  – None

Alexandra Rocca

- **Main areas of expertise and experience**
  (see page 99)
- **Current directorships and positions**
  – Directorships and positions – SFL Group:
  - Independent director
  – Directorships and positions – Outside the SFL Group:

Position	Company	Listed	Country
Director of Communications	Air Liquide (SA)	Yes	France
Chairman	Arenco (SASU)		France

- **Other directorships and positions held in the past five years**
  - Member of the Supervisory Board of Etam Développement (SCA)

Pere Viñolas Serra

- **Main areas of expertise and experience**
  (see page 99)
- **Current directorships and positions**
  – Directorships and positions – SFL Group:
  - Director of SFL
  - Vice Chairman of SFL
  - Member of the Executive and Strategy Committee (SFL)
  - Member of the Remuneration and Selection Committee (SFL)
  – Directorships and positions – Outside the SFL Group:

Position	Company	Listed	Country
Chief Executive Officer Vice Chairman Member of the Executive Committee	Inmobiliaria Colonial, SOCIMI, SA	Yes	Spain
Director	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 99)
- **Current directorships and positions**
  – Directorships and positions – SFL Group:
  - Honorary Chairman
  - Independent director
  - Member of the Remuneration and Selection Committee (SFL)
  – Directorships and positions – Outside the SFL Group:

Position	Company	Listed	Country
Chairman of the Board	Cybele Asset Management (SA)		France

- **Other directorships and positions held in the past five years**
  - Director:
    - 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(3)
	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	88%	n/a	n/a	n/a	n/a
	Angels Arderiu Ibars	100%	n/a	n/a	n/a	n/a
	Jean-Jacques Duchamp (2)	50%	75%	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	88%	n/a	n/a	n/a	n/a
	Arielle Malard de Rothschild	75%	83%	100%	n/a	100%
	Luis Maluquer Trepat	100%	n/a	n/a	n/a	n/a
	Alexandra Rocca	100%	n/a	n/a	n/a	100%
	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	100%

n/a: not applicable
(1) No meetings held in 2021.
(2) Attendance rate calculated on the basis of the number of meetings held until 4 August 2021, when Najat Aasqui and Jean-Jacques Duchamp stepped down from the Board.
(3) The Committee of Independent Directors met on several occasions in 2021, in connection with the simplified cash and paper offer for SFL shares initiated by Colonial in July 2021 (see section 3.13.5 of this report).

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 eight times in 2021, with an average attendance rate of 94%.

The issues covered during the meetings were as follows:

Agenda of the 11 February 2021 meeting

1. Approval of the minutes of the 13 November 2020 meeting
2. Approval of the 2020 financial statements – Portfolio valuation – NAV – Audit Committee report – Statutory Auditors' report
3. Dividend
4. Preparation of the Annual General Meeting of 15 April 2021
   - Notice of meeting and agenda
   - Approval of the resolutions to be tabled at the Meeting
   - Approval of the reports of the Board of Directors
   - Authorisation to hold the Annual General Meeting of 15 April 2021 (11 a.m.) behind closed doors
   - Delegation of competence to the Chief Executive Officer or the Managing Director to answer shareholders' written questions
5. Bonds and guarantees
   - Review of commitments given pursuant to the authorisation given by the Board of Directors at its 11 February 2020 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 (Government order 2020-1142 dated 16 September 2020)
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)

Agenda of the 8 April 2021 meeting

1. Proposed transactions involving SFL shares - Appointment of an independent expert by the special committee made up of independent directors.

Agenda of the 15 April 2021 meeting

1. Approval of the minutes of the 11 February 2021 meeting
2. Confirmation of the appointment of the Chairman of the Board of Directors – powers and remuneration
3. Update on latest news
4. Share buyback programme:
   - Utilisation
   - Authorisation for the Chief Executive Officer to implement the programme
5. Other business
   - Forecasts and projections

Agenda of the 3 June 2021 meeting

1. Approval of the minutes of the 8 April 2021 meeting
2. Transaction involving SFL shares
3. Property purchases/sales
   - Proposed acquisition of a property
   - Proposed sale of a property
4. Other business

Agenda of the 8 July 2021 meeting

1. Approval of the minutes of the 3 June 2021 meeting
2. Reasoned opinion on the simplified cash and paper offer initiated by Colonial and approval of press releases
3. Authorisation to be given to the Chief Executive Officer to reduce the capital by cancelling treasury shares.
4. Bank and bond financing
5. Other business
   - Remuneration of the members of the special committee made up of independent directors
6. Powers for legal formalities.

Agenda of the 28 July 2021 meeting

1. Approval of the minutes of the meetings held on 15 April and 8 July 2021
2. Approval of the 2021 interim financial statements and first-half business review – Portfolio valuation – NAV – Audit Committee report – Statutory Auditors' review report
3. Other business
   - Update on the simplified cash and paper offer for SFL shares
   - Key performance indicators
   - Remuneration of the members of the special committee made up of independent directors

Agenda of the 19 November 2021 meeting

1. Approval of the minutes of the 28 July 2021 meeting
2. Composition of the Board of Directors
3. Update on latest news
4. 2022-2026 Business Plan
5. Investment project
6. Authorisation to call general meetings of bondholders
7. Other business
   - Related party agreements (regulated agreements and routine agreements on arm's length terms)
   - Forecasts and projections
   - Remuneration and Selection Committee:
     - Amendments to Performance Share Plan 5

  - Proposed Performance Share Plan 6
- Proposed 2022 meeting schedule

Agenda of the 21 December 2021 meeting

1. Financing authorisation

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 property 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 2021:
Chairman: Carlos Fernandez-Lerga Garralda
Members: Carmina Ganyet i Cirera
Arielle Malard de Rothschild (independent director)

Jean-Jacques Duchamp served as a member of the Audit Committee until 4 August 2021, when he stepped down from the Board of Directors.

The Audit Committee members' experience in the areas of finance and accounting is described on pages 98 to 102 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 2021, with an average attendance rate of 90.28%.

The issues covered during the meetings were as follows:

Agenda of the 14 January 2021 meeting

1. Approval of the minutes of the 13 November 2020 meeting
2. 2020 internal audit engagements
3. Engagement 38: Review of construction insurance procedures
4. Update on the implementation of recommendations
5. Approval of the 2021 internal audit programme
6. Presentation by Fabrice Ruchaud, Information Systems Director
7. Services provided by the Statutory Auditors – Renewal of delegations of authority to the Audit Committee (Government Order dated 17 March 2016)

Agenda of the 10 February 2021 meeting

1. Approval of the minutes of the 14 January 2021 meeting
2. Review of the 2020 financial statements
3. Other business
   • Key performance indicators

Agenda of the 22 June 2021 meeting

1. Approval of the minutes of the 10 February 2021 meeting
2. 2021 internal audit engagements (progress review)
   • Engagement 39: CSR (with Eric Oudard, Technical and Development Director, on hand to answer questions)
   • Engagement 40: Post-Covid update of the risk map
   • Engagement 41: Follow-up of the internal auditors' recommendations
3. Other business
   • Presentation by Fabrice Ruchaud, Information Systems Director

Agenda of the 28 July 2021 meeting

1. Approval of the minutes of the 22 June 2021 meeting
2. Review of the 2021 interim financial statements
3. Other business
   • Management indicators at 30 June 2021 (risk monitoring)
   • Risk map

Agenda of the 30 September 2021 meeting

1. Approval of the minutes of the 28 July 2021 meeting
2. Presentation of the Statutory Auditors' 2021 audit approach
3. 2021 internal audit engagements
   • Engagement 43: Rent arrears monitoring
   • Engagement 42: Call for tenders (with Antoine Dupont, Project Director, on hand to answer questions)

Agenda of the 19 November 2021 meeting

1. Approval of the minutes of the 30 September 2021 meeting
2. Presentation by François Derrian, Human Resources Director
3. Annual review of related party agreements (regulated agreements and routine agreements on arm's length terms)
4. Areas to be covered by the 2022 internal audit programme
5. Other business
   • Proposed Audit Committee meeting schedule for 2022

For more information about the Audit Committee's work in 2021, see the Management Report (pages 31 *et seq.*).

3.13.3 Remuneration and Selection Committee

Members of the Remuneration and Selection Committee as of 31 December 2021:
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 five times in 2021, with an attendance rate of 100%.

The issues covered during the meetings were as follows:

Agenda of the 8 February 2021 meeting

1. Payment of the 2020 bonuses of the Chairman, Chief Executive Officer, Managing Director
2. 2021 remuneration of the Chairman, Chief Executive Officer, Managing Director and members of the Board of Directors
3. 2021 performance share plan
4. Other business

Agenda of the 9 March 2021 meeting

1. Approval of the minutes of the 8 February 2021 meeting
2. CSR performance criteria
3. Draft new rules of the new performance share plan (Plan 6)

Agenda of the 2 June 2021 meeting

1. Review of Colonial's letter setting out the general principles concerning the pursuit of the Company's objectives and its remuneration system (including the long-term incentive scheme)
2. Proposed amendment to Performance Share Plan 5

Agenda of the 13 October 2021 meeting

1. Approval of the minutes of the 9 March 2021 meeting
2. Draft rules of the new performance share plan (Plan 6)
3. Proposed amendments to Performance Share Plan 5
4. 2022 variable remuneration formula for the Chairman, Chief Executive Officer and Managing Director

Agenda of the 19 November 2021 meeting

1. Draft new rules of the performance share plan (Plan 6)

3.13.4 Executive and Strategy Committee

Members of the Executive and Strategy Committee as of 31 December 2021:
Chairman: Juan José Brugera Clavero
Members: Carmina Ganyet I Cirera
Pere Viñolas Serra

Jean-Jacques Duchamp served as a member of the Executive and Strategy Committee until 4 August 2021, when he stepped down from the Board of Directors.

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 2021.

3.13.5 Committee of Independent Directors

Members of the Committee of Independent Directors as of 31 December 2021:
- 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.

At the Board meeting of 8 April 2021, Juan José Brugera Clavero presented the transaction planned by Colonial, consisting of (i) a public offer for the SFL shares not already held by Colonial and Predica (the "Offer") and (ii) an asset swap whereby Predica would exchange its interests in SFL (12%) and in two joint ventures with SFL, for minority interests in four of the SFL Group's assets that in turn would become joint ventures, and for Colonial shares (the "Asset Swap"). In connection with the transaction, SFL would buy back some of its own shares held by Predica in exchange for the shares in the new joint ventures referred to above (the "Buyback") (for more details on this transaction, see pages 7 and 8 of the Management Report).

In light of these proposed transactions, at its meeting on 8 April 2021, the Board of Directors decided – in accordance with Article 261-1 of the AMF's General Regulations and best corporate governance practices – to set up a special committee to:
- propose to the Board of Directors the appointment of an independent expert;
- monitor the valuation and due diligence procedures performed by the independent expert, ensuring that all necessary information was made available to facilitate the process;
- issue an opinion to the Board of Directors as to whether the proposed transaction consisting of the Offer, the Buyback and the Asset Swap was in the interests of SFL, its employees and its shareholders, and whether it would be in shareholders' interests to tender their shares to the Offer;
- oversee the work of the independent expert on the issues relating to the use of the buyback programme and related party agreements with Predica in connection with the transaction; and
- report to the Board of Directors and express opinions informing the Board's decisions.

The Board of Directors decided that the Committee of Independent Directors should take on the role of special committee and fulfil the above remit.

In its role as a special committee, the Committee of Independent Directors, made up of three independent directors, met several times a week between April and July 2021.

4. Remuneration policy applicable to the Chairman, the Chief Executive Officer, the Managing Director and the members of the Board of Directors

In accordance with Articles L.22-10-8 and R.22.1.14 of the French Commercial Code, we present below the remuneration policy established by the Board of Directors for 2022. 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 2022, 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, 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 2023 to approve the 2022 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 110, 115 and 116), 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:
- General attitude: Individual engagement, availability, motivation, corporate culture / Transparency, rigour and communication / Individual performance, efficiency, creativity, marketing and business development skills / Leadership skills, sense of responsibility, willingness to take initiatives and risks.
- 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, Marceau).
- Financial policy (Chief Executive Officer only): Secure management of financial risks / Alignment of financing with the Group's needs.
- Corporate:
  - Chief Executive Officer and Managing Director: Investor/Analyst Relations/Relations with Main Shareholders/Legal Risks,
  - Chief Executive Officer only: Management of meetings of the Boards and Board Committees / Risks and Taxes / General Operation of the Company.

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 14.2, pages 87 to 89).

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 and Selection Committee

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 120.

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, if appropriate.

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 (i.e. the companies mentioned in the rules of the performance share plan concerned) to do so, of a press release announcing its results for the third financial year following the performance share grant date, 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 allocated by the Annual General Meeting, 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 4.2.4 (page 111).

4.1.5. Description and explanation of substantial changes to the remuneration policy

The Company's proposed 2022 remuneration policy for the Chief Executive Officer includes one change compared to that adopted for the previous year (section 4.2.2).

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

The Company's proposed 2022 remuneration policy would apply unchanged to any newly appointed corporate officer, with the exception of the special bonus referred to in section 4.2.2 (page 111).

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 2022 applicable to the Chairman of the Board of Directors is described below.

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 as a director by the Board of Directors out of the total amount awarded to the Board by the Annual General Meeting.

Performance shares

The Chairman of the Board of Directors is eligible to participate in the performance share plans decided by the Board.

The rules of Performance Share Plan 6 adopted by the Board of Directors at its meeting of 18 February 2022 are described in Appendix 14.2 of the Management Report (page 89).

4.2.2. Remuneration policy applicable to the Chief Executive Officer

The remuneration policy applicable to the Chief Executive Officer for 2022 is described below.

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 2022 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 2022 (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%

If necessary, the bonus calculation will be adjusted to take into account any changes in Group structure that have taken place during the year, in particular following the transaction involving SFL shares initiated by Colonial.

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

The Chief Executive Officer is eligible to participate in the performance share plans decided by the Board of Directors.

The final rules of Performance Share Plan 6 adopted by the Board of Directors at its meeting of 18 February 2022 are described in Appendix 14.2 of the Management Report (page 89).

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 (PERECO).

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.

Amendment to the 2021 remuneration policy for the Chief Executive Officer approved at the General Meeting of 15 April 2021.

In view of the additional work generated by the Colonial transaction involving SFL shares described in section 2.1.4 of the Management Report (page 7 and 8), in particular to execute the changes to the partnership between SFL and Predica, at its meeting on 18 February 2022, the Board of Directors decided, on the recommendation of the Remuneration and Selection Committee which met on 8 February 2022, to propose to the Annual General Meeting called on 7 April 2022 that shareholders be asked to approve an amendment to the 2021 remuneration policy approved at the Annual General Meeting of 15 April 2021, to include the payment of a special bonus of €100,000 to the Chief Executive Officer for 2021.

This proposed special bonus is justified by the time and effort deployed by the Chief Executive Officer and his personal contribution to the seamless execution of this complex transaction.

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 remuneration policy for 2022 applicable to the members of the Board of Directors is described below.

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 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.

This remuneration is paid to directors on a half-yearly basis in arrears.

There are no agreements providing for the payment of compensation for loss of office to directors in any circumstances.

In addition, at a meeting held on 28 July 2021, the Board of Directors considered that the members of the Committee of Independent Directors were entitled to be remunerated in the same way as the members of the other committees, in recognition of their work as members of the special committee set up in connection with the Offer, which met on numerous occasions before and during the Offer (see section 3.13.5 of this report). The Board therefore decided to allocate an amount of €2,000 to each independent director for each meeting of the special committee held before and during the Offer, i.e. a total of €68,000 per director.

The total annual remuneration awarded to the Board of Directors for 2021 was insufficient to cover this amount in full, after taking into account the remuneration due and awarded to the directors for their attendance at Board meetings and meetings of the Board Committees held in 2021. For this reason, at its meeting on 28 July, to avoid exceeding the total remuneration budget, the Board of Directors decided to pay €54,000 to each independent director for 2021 and to include the balance of €14,000 per independent director in their 2022 remuneration, following approval of the 2022 remuneration policy by the Annual General Meeting.

Consequently, the 2022 remuneration policy applicable to the Chairman, the Chief Executive Officer, the Managing Director and the members of the Board of Directors, reflects the principle of deducting €42,000 from the Board of Directors' total 2022 remuneration of €800,000, to be awarded to the persons who were members of the Committee of Independent Directors as of 1 January 2022, in respect of their participation in the meetings of the special committee.

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 or awarded to the Chairman of the Board of Directors, the Chief Executive Officer, the Managing Director and other members of executive management for 2021

5.1. Ratios disclosed in accordance with Article L.22-10-9 I, 6° and 7°, of the French Commercial Code

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. The data presented below are based on the gross remuneration and benefits paid to corporate officers and employees during the reporting year.

(1) The Société Foncière Lyonnaise ESU (the "SFL ESU") comprises the Group's two employer companies, SFL and Locaparis.

Data concerning the SFL ESU presented in line with the guidelines on remuneration multiples published by AFEP on 28 January 2020, as updated in February 2021:

	Executive-to-average employee remuneration ratio (employees of the SFL ESU)	Change in ratios over the past five years				
	2021	2020	2019	2018	2017	2016
Chairman of the Board Juan José Brugera Clavero	**2.91**	3.27	3.13	2.78	3.03	2.74
Chief Executive Officer Nicolas Reynaud	**12.76**	12.16	11.01	9.59	11.04	10.18
Managing Director Dimitri Boulte	**9.75**	9.30	8.38	7.17	7.48	6.87

	Executive-to-median employee remuneration ratio (employees of the SFL ESU)	Change in ratios over the past five years				
	2021	2020	2019	2018	2017	2016
Chairman of the Board Juan José Brugera Clavero	**3.87**	4.71	4.22	3.48	4.00	3.70
Chief Executive Officer Nicolas Reynaud	**16.97**	17.52	14.83	12.02	14.55	13.75
Managing Director Dimitri Boulte	**12.97**	13.40	11.30	8.98	9.86	9.28

Chairman of the Board Juan José Brugera Clavero	**2021**	2020	2019	2018	2017
Annual remuneration	**€308,270**	€413,149	€370,000	€355,914	€301,546
Company performance					
• Rental income	**€174,634k**	€182,424k	€198,710k	€193,509k	€195,780k
• EPRA earnings	**€92,390k**	€100,794k	€119,236k	€106,651k	€102,419k
• Growth in EPRA earnings	**-8.3%**	-15.47%	11.7%	4.2%	1.5%
• Growth in NNNAV (EPRA NDV)	**-4.8%**	3.1%	11.1%	7.7%	21.0%
Average remuneration	**€105,840**	€126,502	€118,182	€128,138	€99,463
Ratios	**2.91**	3.27	3.13	2.78	3.03

Chief Executive Officer Nicolas Reynaud	2021	2020	2019	2018	2017
Annual remuneration	**€1,351,007**	€1,537,994	€1,300,738	€1,229,361	€1,097,904
Company performance					
• Rental income	**€174,634k**	€182,424k	€198,710k	€193,509k	€195,780k
• EPRA earnings	**€92,390k**	€100,794k	€119,236k	€106,651k	€102,419k
• Growth in EPRA earnings	**-8.3%**	-15.47%	11.7%	4.2%	1.5%
• Growth in NNNAV (EPRA NDV)	**-4.8%**	3.1%	11.1%	7.7%	21.0%
Average remuneration	**€105,840**	€126,502	€118,182	€128,138	€99,463
Ratios	**12.76**	12.16	11.01	9.59	11.04

Managing Director Dimitri Boulte	2021	2020	2019	2018	2017
Annual remuneration	**€1,032,373**	€1,176,618	€990,678	€919,072	€743,926
Company performance					
• Rental income	**€174,634k**	€182,424k	€198,710k	€193,509k	€195,780k
• EPRA earnings	**€92,390k**	€100,794k	€119,236k	€106,651k	€102,419k
• Growth in EPRA earnings	**-8.3%**	-15.47%	11.7%	4.2%	1.5%
• Growth in NNNAV (EPRA NDV)	**-4.8%**	3.1%	11.1%	7.7%	21.0%
Average remuneration	**€105,840**	€126,502	€118,182	€128,138	€99,463
Ratios	**9.75**	9.30	8.38	7.17	7.48

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				
	2021	2020	2019	2018	2017	2016
Chairman of the Board Juan José Brugera Clavero	**2.82**	3.14	3.07	2.71	2.90	2.64
Chief Executive Officer Nicolas Reynaud	**12.37**	11.70	10.81	9.35	10.55	9.80
Managing Director Dimitri Boulte	**9.45**	8.95	8.23	6.99	7.15	6.61

Chairman of the Board Juan José Brugera Clavero	2021	2020	2019	2018	2017	2016
Annual remuneration	**€308,270**	€413,149	€370,000	€355,914	€301,546	€274,159
Company performance						
• Rental income	**€174,634k**	€182,424k	€198,710k	€193,509k	€195,780k	€198,137k
• EPRA earnings	**€92,390k**	€100,794k	€119,236k	€106,651k	€102,419k	€100,881k
• Growth in EPRA earnings	**-8.3%**	-15.47%	11.7%	4.2%	1.5%	53.3%
• Growth in NNNAV (EPRA NDV)	**-4.8%**	3.1%	11.1%	7.7%	21.0%	13.3%
Average remuneration	**€109,210**	€131,435	€120,345	€131,446	€104,044	€103,958
Ratios	**2.82**	3.14	3.07	2.71	2.90	2.64

Chief Executive Officer Nicolas Reynaud	2021	2020	2019	2018	2017	2016
Annual remuneration	**€1,351,007**	€1,537,994	€1,300,738	€1,229,361	€1,097,904	€1,018,503
Company performance						
• Rental income	**€174,634k**	€182,424k	€198,710k	€193,509k	€195,780k	€198,137k
• EPRA earnings	**€92,390k**	€100,794k	€119,236k	€106,651k	€102,419k	€100,881k
• Growth in EPRA earnings	**-8.3%**	-15.47%	11.7%	4.2%	1.5%	53.3%
• Growth in NNNAV (EPRA NDV)	**-4.8%**	3.1%	11.1%	7.7%	21.0%	13.3%
Average remuneration	**€109,210**	€131,435	€120,345	€131,446	€104,044	€103,958
Ratios	**12.37**	11.70	10.81	9.35	10.55	9.80

Managing Director Dimitri Boulte	2021	2020	2019	2018	2017	2016
Annual remuneration	**€1,032,373**	€1,176,618	€990,678	€919,072	€743,926	€687,122
Company performance						
• Rental income	**€174,634k**	€182,424k	€198,710k	€193,509k	€195,780k	€198,137k
• EPRA earnings	**€92,390k**	€100,794k	€119,236k	€106,651k	€102,419k	€100,881k
• Growth in EPRA earnings	**-8.3%**	-15.47%	11.7%	4.2%	1.5%	53.3%
• Growth in NNNAV (EPRA NDV)	**-4.8%**	3.1%	11.1%	7.7%	21.0%	13.3%
Average remuneration	**€109,210**	€131,435	€120,345	€131,446	€104,044	€103,958
Ratios	**9.45**	8.95	8.23	6.99	7.15	6.61

5.2. Remuneration and benefits paid or awarded to the Chairman of the Board of Directors, the Chief Executive Officer and the Managing Director for 2021

This section 5.2 presents the 2021 remuneration and benefits paid or awarded 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 2021 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 15 April 2021 are subject to shareholder approval at the Annual General Meeting of 7 April 2022 (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 2021

Fixed remuneration for the function of Chairman of the Board of Directors

Juan José Brugera Clavero was paid a fixed fee of €112,500 in his capacity as Chairman of the Board of Directors. Juan José Brugera Clavero waived payment of his fixed remuneration for the fourth quarter of 2021.

Remuneration as member of the Board of Directors

In addition, as a member of the Board of Directors, Juan José Brugera Clavero was paid remuneration of €32,000, including fixed annual remuneration of €20,000 and variable remuneration of €12,000. These amounts only concern the first half of 2021, as Juan José Brugera Clavero waived payment of his remuneration as director for the second half of the year.

Performance shares

On 11 February 2021, the Board of Directors decided to grant 6,000 Plan 5 performance shares to Juan José Brugera Clavero. The rules of Plan 5 are presented in Appendix 14.2 of the Management Report (pages 87 *et seq.*).

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 2021:

Components of remuneration due or awarded for the year ended 31 December 2021	Amount or accounting value	Comments
Fixed remuneration	€112,500	The fixed remuneration due to Juan José Brugera Clavero for 2021 is unchanged from 2020 (€150,000). However, Mr Brugera Clavero has waived payment of his fixed remuneration for the fourth quarter of 2021.
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	€163,770	Juan José Brugera Clavero was granted 6,000 performance shares by the Board on 11 February 2021.
Remuneration as member of the Board of Directors	€32,000	Juan José Brugera Clavero is remunerated for his function as member of the Board of Directors. He waived payment of his remuneration as director for the second half of 2021.
Benefits in kind	N/A	Juan José Brugera Clavero is not entitled to any benefits in kind.
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 2021

Fixed remuneration

Nicolas Reynaud was paid gross annual remuneration of €407,000 for 2021.

Bonus

Nicolas Reynaud's 2021 bonus, calculated by the method decided by the Board of Directors on 11 February 2021, amounted to €421,667, as follows:
- A quantitative bonus of €221,441, based on growth in the Group's EPRA earnings and rental income. This bonus reflects an achievement rate of 104.31% 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 94.6%. Consequently, the coefficient applied to the above two amounts for the determination of the qualitative and quantitative bonuses is 99.2%.

Payment of the bonus is subject to shareholder approval at the Annual General Meeting on 7 April 2022.

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 11 February 2021, the Board of Directors decided to grant 20,000 Plan 5 performance shares to Nicolas Reynaud. The rules of Plan 5 are presented in Appendix 14.2 of the Management Report (pages 87 *et seq.*).

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 2021:

Components of remuneration due or awarded for the year ended 31 December 2021	Amount or accounting value	Comments
Fixed remuneration	€407,000	Nicolas Reynaud's 2021 salary was unchanged from 2020.
Annual bonus	€421,667 (payment of this bonus is subject to shareholder approval at the Annual General Meeting on 7 April 2022)	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	€100,000 (payment of this special bonus is subject to adoption by shareholders of the 8th ordinary resolution of the Annual General Meeting on 7 April 2022)	This bonus is intended to reward Nicolas Reynaud's engagement and work in connection with the Colonial transaction involving SFL shares (see section 4.2.2, last sub-paragraph, on page 111 of this report and section 2.1.4 on pages 7 and 8 of the Management Report).
Stock options, performance shares and other deferred remuneration	€545,900	Nicolas Reynaud was granted 20,000 performance shares by the Board on 11 February 2021.
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	€18,909	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	€14,695	Matching employer payments to the SFL Group Pension Savings Plan (PERECO), rights under the discretionary profit-sharing plan for 2020, paid in 2021 (profit shares for 2021 had not been determined as of the date this document was published).
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 2021

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 €332,023 for 2021.

Bonus

Dimitri Boulte's 2021 bonus, calculated by the method decided by the Board of Directors on 11 February 2021, amounted to €274,342.

Performance shares

On 11 February 2021, the Board of Directors decided to grant 16,000 Plan 5 performance shares to Dimitri Boulte. The rules of Plan 5 are presented in Appendix 14.2 of the Management Report (pages 87 *et seq.*).

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 2021:

Components of remuneration due or awarded for the year ended 31 December 2021	Amount or accounting value	Comments
Fixed remuneration	€333,023	Dimitri Boulte's 2021 salary was unchanged from 2020.
Annual bonus	€274,342	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	€85,000	This bonus is intended to reward Dimitri Boulte's engagement and work in connection with the Colonial transaction involving SFL shares (see section 2.1.4 on pages 7 and 8 of the Management Report).
Stock options, performance shares and other deferred remuneration	€436,720	Dimitri Boulte was awarded 16,000 performance shares by the Board on 11 February 2021.
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	€8,413	Company car.
Other	€17,067	Matching employer payments to the SFL Group Pension Savings Plan (PERECO), rights under the discretionary profit-sharing plan for 2020, paid in 2021 (profit shares for 2021 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**	2020	2021
Remuneration awarded for the year (see Table 2 for details)	€217,000	€144,500
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)	€196,149	€163,770
Other deferred remuneration	€0	€0
Total	**€413,149**	**€308,270**

(1) 6,000 performance shares were awarded to Juan José Brugera Clavero at the Board Meeting of 6 February 2020 and a further 6,000 at the Board Meeting of 11 February 2021. The performance share award and vesting conditions and values are presented in Appendix 14.2 (see pages 87 *et seq.*).

Nicolas Reynaud **Chief Executive Officer**	2020	2021
Remuneration awarded for the year (see Table 2 for details)	€823,772	€962,271
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)	€653,830	€545,900
Other deferred remuneration	€0	€0
Total	**€1,477,602**	**€1,508,171**

(1) 20,000 performance shares were awarded to Nicolas Reynaud at the Board Meeting of 6 February 2020 and a further 20,000 at the Board Meeting of 11 February 2021. The performance share grant and vesting conditions and values are presented in Appendix 14.2 (pages 87 *et seq.*).

Dimitri Boulte **Managing Director**	2020	2021
Remuneration awarded for the year(1) (see Table 2 for details)	€614,583	€717,845
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)	€523,064	€436,720
Other deferred remuneration	€0	€0
Total	**€1,137,647**	**€1,154,565**

(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 6 February 2020 and a further 16,000 at the Board Meeting of 11 February 2021. The performance share award and vesting conditions and values are presented in Appendix 14.2 (see pages 87 *et seq.*).

The following tables provide summary information about the remuneration paid to Juan José Brugera Clavero, Nicolas Reynaud and Dimitri Boulte for 2018 and 2019:

Juan José Brugera Clavero **Chairman of the Board**	2018	2019
Remuneration due for the year	€210,000	€208,000
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	€145,914	€162,000
Other deferred remuneration	€0	€0
Total	**€355,914**	**€370,000**

Nicolas Reynaud **Chief Executive Officer**	2018	2019
Remuneration due for the year	€748,802	€824,490
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	€486,380	€540,000
Other deferred remuneration	€0	€0
Total	**€1,235,182**	**€1,364,490**

Dimitri Boulte **Managing Director**	2018	2019
Remuneration due for the year	€594,804	€611,923
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	€389,104	€432,000
Other deferred remuneration	€0	€0
Total	**€938,908**	**€1,043,923**

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**	2020		2021	
	Due	Paid	Due(3)	Paid(3)
Fixed remuneration(1)	€150,000	€150,000	€112,500	€112,500
Annual bonus	€0	€0	€0	€0
Special bonus	€0	€0	€0	€0
Remuneration as member of the Board of Directors(2)	€67,000	€67,000	€32,000	€32,000
Benefits in kind	€0	€0	€0	€0
Other	€0	€0	€0	€0
Total	**€217,000**	**€217,000**	**€144,500**	**€144,500**

(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.
(3) As indicated in section 5.2.1 of this report, Juan José Brugera Clavero waived payment of his fixed remuneration as Chairman for the fourth quarter of 2021 and his remuneration as director for the second half of 2021.

Nicolas Reynaud Chief Executive Officer	2020		2021	
	Due	Paid	Due[3]	Paid[3]
Fixed remuneration[1]	€407,000	€407,000	€407,000	€407,000
Annual bonus[2]	€364,503	€424,895[a]	€421,667	€364,503[b]
Special bonus	€0	€0	€100,000	€0[c]
Remuneration as member of the Board of Directors	N/A	N/A	N/A	N/A
Benefits in kind[3]	€18,218	€18,218	€18,909	€18,909
Other[4]	€34,051	€34,051	€14,695	€14,695
Total	**€823,772**	**€884,164**	**€962,271**	**€805,107**

(a) Amount due for 2019 paid in 2020 after approval by the Annual General Meeting of 3 April 2020.

(b) Amount due for 2020, paid in 2021 after approval by the Annual General Meeting of 15 April 2021.

(c) This special bonus is subject to approval by the Annual General Meeting of 7 April 2022; if approved, the bonus will be paid in 2022.

(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 11 February 2021, the Board of Directors decided to maintain Nicolas Reynaud's fixed remuneration at €407,000 for 2021. This decision was based on the recommendation of the Remuneration and Selection Committee dated 8 February 2021, that was made after considering 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 6 February 2020 for the 2020 bonus and on 11 February 2021 for the 2021 bonus.

The performance criteria used to determine the 2020 bonuses of the Chief Executive Officer and the Managing Director were decided by the Board of Directors at its meeting on 6 February 2020, 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).

Concerning the 2020 quantitative bonus, the objectives for the above two performance criteria were set by the Board of Directors based on the revised budget reflecting the expected impact of the Covid-19 crisis that was approved by the Board of Directors on 28 July 2020. These objectives were as follows:
– an EPRA earnings objective of €100.5 million;
– a rental income objective of €185.7 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 2020, 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 2021, the performance targets for the bonuses of the Chief Executive Officer and the Managing Director were approved by the Board of Directors on 11 February 2021 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 2021 quantitative bonuses, the Board of Directors decided to set the following objectives for the two performance criteria for 2021:
– an EPRA earnings objective of €89.6 million;
– a rental income objective of €170.9 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 2021, applying the above correspondence table, which is unchanged from 2020.

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 2020:

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 2020 and 2021 were clearly defined in advance. They are not disclosed for business confidentiality reasons.

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

(4) Matching employer payments on voluntary contributions for 2020 and 2021 to the SFL Group Pension Savings Plan (PERECO), rights under the discretionary profit-sharing plan for 2019 and 2020, paid in 2020 and 2021 respectively (profit shares payable in respect of 2021 had not been determined as of the date this document was published).

Dimitri Boulte, Managing Director and Chief Operating Officer	2020		2021	
	Due	Paid	Due	Paid
Fixed remuneration(1)	€331,754	€331,754	€333,023	€333,023
Annual bonus(2)	€237,151	€276,122(a)	€274,342	€237,151 (b)
Special bonus	€0	€0	€85,000	€0(c)
Remuneration as member of the Board of Directors	N/A	N/A	N/A	N/A
Benefits in kind(3)	6,619	€6,619	€8,413	€8,413
Other(4)	€39,059	€39,059	€17,067	€17,067
Total	**€614,583**	**€653,554**	**€717,845**	**€595,654**

(a) Amount due for 2019 paid in 2020 after approval by the Board of Directors on 6 February 2020.

(b) Amount due for 2020 paid in 2021 after approval by the Board of Directors on 11 February 2021.

(c) This special bonus was decided by the Board of Directors on 18 February 2022 and paid after the Board meeting.

(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 11 February 2021, the Board of Directors decided to maintain Dimitri Boulte's fixed remuneration at €331,000 for 2021. This decision was based on the recommendation of the Remuneration and Selection Committee dated 8 February 2021, that was made after considering 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 6 February 2020 for the 2020 bonus and on 11 February 2021 for the 2021 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 2020 and 2021 to the SFL Group Pension Savings Plan (PERECO), rights under the non-discretionary and discretionary profit-sharing plans for 2019 and 2020, paid in 2020 and 2021 respectively (profit shares payable in respect of 2021 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	2019	2020	2021
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 DURING THE YEAR BY THE CHAIRMAN, THE CHIEF EXECUTIVE OFFICER AND THE MANAGING DIRECTOR

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 11 February 2021	6,000	€163,770	11 February 2024	11 February 2026	(5)
Nicolas Reynaud	Plan 5 11 February 2021	20,000	€545,900	11 February 2024	11 February 2026	(5)
Dimitri Boulte	Plan 5 11 February 2021	16,000	€436,720	11 February 2024	11 February 2026	(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 11 February 2021 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 14.2.

(2) The value of the performance shares has been calculated using the binomial model and corresponds to the number of shares expected to vest multiplied by the fair value per share. The binomial model uses the following 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 11 February 2021 is €54.590.

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., 11 February 2024 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, 10% of the shares must be retained beyond the two-year lock-up period.

(5) The number of shares that vest depends on SFL's ranking in a group of six listed property companies including SFL (the "Reference Companies"). The ranking is established based on growth in each of the Reference Companies' consolidated adjusted net asset value (ANAV) per share plus paid dividends over the vesting period. The performance criteria are presented in Appendix 14.2.

To the best of the Company's knowledge, no hedging instruments have been acquired to cover the equity risk associated with the performance shares.

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

Name	Plan no. and date	Number of performance shares that became available during the year
Juan José Brugera Clavero	Plan 4 26 April 2016	4,500
Nicolas Reynaud	Plan 4 26 April 2016	15,000
Dimitri Boulte	Plan 4 26 April 2016	12,000

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

Name	Employment contract		Supplementary pension benefits		Termination benefits 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: 2022 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 2021, 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 2021, 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. Remuneration and benefits paid or awarded to the directors for 2021

The remuneration paid or awarded to the directors for 2021 was determined in accordance with the policy set out in section 4.2.4 of this report.

TABLE 3 – REMUNERATION PAID TO NON-EXECUTIVE DIRECTORS (Gross amounts)

Name	Amounts paid in 2020	Amounts paid in 2021
Najat Aasqui[(1)(2)]		
Remuneration	€0	€0
Other remuneration	€0	€0
Ali Bin Jassim Al Thani		
Remuneration (fixed, variable)	€44,000	€41,000
Other remuneration	€0	€0
Angels Arderiu Ibars		
Remuneration (fixed, variable)	€47,000	€44,000
Other remuneration	€0	€0
Chantal du Rivau[(3)]		
Remuneration (fixed, variable)	€0	not disclosed
Other remuneration	€0	not disclosed
Jean-Jacques Duchamp[(2)]		
Remuneration (fixed, variable)	€0	€0
Other remuneration	€0	€0
Carlos Fernandez-Lerga Garralda		
Remuneration (fixed, variable)	€79,000	€76,000
Other remuneration	€0	€0
Carmina Ganyet i Cirera		
Remuneration (fixed, variable)	€69,000	€66,000
Other remuneration	€0	€0
Carlos Krohmer		
Remuneration (fixed, variable)	€47,000	€41,000
Other remuneration	€0	€0
Arielle Malard de Rothschild		
Remuneration (fixed, variable)	€70,000	€68,000
Other remuneration	€0	€54,000[(4)]
Luis Maluquer Trepat		
Remuneration (fixed, variable)	€47,000	€44,000
Other remuneration	€0	€0
Nuria Oferil Coll		
Remuneration (fixed, variable)	€47,000	€44,000
Other remuneration	€0	€0
Alexandra Rocca		
Remuneration (fixed, variable)	€44,000	€44,000
Other remuneration	€0	€54,000[(4)]
Pere Viñolas Serra		
Remuneration (fixed, variable)	€61,000	€64,000
Other remuneration	€0	€0
Anthony Wyand		
Remuneration (fixed, variable)	€71,000	€74,000
Other remuneration	€0	€54,000[(4)]
Total	**€626,000**	**€768,000**

(1) Director since 28 July 2020.
(2) Director until 4 August 2021.
(3) Director until 30 June 2020.
(4) Compensation paid to the independent directors for their work as members of the Committee of Independent Directors acting as the special committee that was required to be set up in connection with the Colonial Transaction involving SFL shares (see section 3.13.5 above).

5.4. Remuneration and benefits paid or awarded to executive management other than the Chief Executive Officer and the Managing Director for 2021

The following table presents the total gross remuneration for 2021 paid by SFL to the persons who were members of the Management Committee at 31 December 2021 other than the Chief Executive Officer and the Managing Director:

	2021
Salary	€874,218
Bonus(1)	€313,660
Benefits in kind	€25,650
Special bonuses	€100,000
Non-discretionary/discretionary profit-sharing(2)	€44,575
Matching payments to the Group Pension Savings Plan (PERECO)	€25,300

(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 11 February 2021.
(2) Rights under the non-discretionary and discretionary profit-sharing plans for 2020, paid in 2021 (profit shares in respect of 2021 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 2021, 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 SHARE RIGHTS GRANTED IN PREVIOUS YEARS

	Plan 4		Plan 5			
Date of Annual General Meeting	13 November 2015		20 April 2018			
Date of Board meeting	26 April 2016	3 March 2017	20 April 2018	15 February 2019	6 February 2020	11 February 2021
Total performance share rights granted,	**48,054**	**50,064**	**67,184**	**65,896**	**68,952**	**66,920**
of which rights granted to:	31,500	31,500	42,000	42,000	42,000	42,000
• Juan José Brugera Clavero	4,500	4,500	6,000	6,000	6,000	6,000
• Nicolas Reynaud	15,000	15,000	20,000	20,000	20,000	20,000
• Dimitri Boulte	12,000	12,000	16,000	16,000	16,000	16,000
Vesting date	3 April 2019	27 March 2020	6 April 2021	15 February 2022	6 February 2023	11 February 2024
End of lock-up period	2 April 2021	26 March 2022	5 April 2023	14 February 2024	5 February 2025	10 February 2026
Performance criteria	(1)		(2)	(2)	(2)	(2)
Number of vested performance shares as of 31 December 2021	46,302	46,494	63,648	–	–	–
Cumulative number of performance share rights cancelled or forfeited	–	–	–	904	936	680
Number of performance share rights outstanding at 31 December 2021	–	–	–	64,992	68,016	66,240

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

The following are the rules for Plans 4 and 5.

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 as amended by the Board of Directors on 19 November 2021.

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 11 February 2021 grant, the year ending 31 December 2023).

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 tangible assets (NTA)* per share over the vesting period, as calculated by adding back dividends paid in each year of said period.

* At its meeting on 19 November 2021, the Board of Directors, on the recommendation of the Remuneration and Selection Committee, approved a first amendment to Plan 5 due to the change in EPRA indicators. Following this amendment, from 1 January 2021, the ANAV performance indicator has been replaced by Net Tangible Assets (NTA), which is the closest EPRA indicator to the traditional NAV.
In addition, in light of the change in the Company's ownership structure resulting from the Colonial transaction involving SFL shares (see section 2.1.4 on pages 7 and 8 of the Management Report) and the fact that the Company is currently in a transition period, the Board of Directors decided on 19 November 2021 that in the event of developments in the Group that have an adverse effect on the Company or on the achievement of its performance objectives, the assessment of the Plan 5 performance objectives could be adjusted accordingly by the Board of Directors.

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 10%* of the shares for the remainder of their period of service with the Company or another Group entity, as applicable.

* A third amendment to the rules of Plan 5 approved by the Board of Directors on 19 November 2021 reduced from 40% to 10% the proportion of shares to be retained by the Chairman, the Chief Executive Officer and the Managing Director beyond the lock-up period.

All the amendments to Plan 5 adopted by the Board of Directors on 19 November 2021 are applicable to performance share rights that have not yet vested, corresponding to performance share grants voted on 15 February 2019, 6 February 2020 and 11 February 2021.

The Plan 5 rules are presented in Appendix 14.2 of the Management Report (pages 87 *et seq.*).

6. Agreements between a corporate officer or material shareholder of SFL and one of its subsidiaries

In accordance with the disclosure requirements of Article L.225-37-4, 2°, of the French Commercial Code, shareholders are informed that no agreements have been entered into, directly or through a third party, between the Chairman, the Chief Executive Officer, the Managing Director, a member of the Board of Directors or a shareholder that holds over 10% of SFL's voting rights and a company controlled by SFL, within the meaning of Article L.233-3, other than agreements entered into in the normal course of business on arm's length terms.

7. Related party agreements (routine and regulated agreements)

7.1. Annual assessment of related party agreements (routine agreements entered into on arm's length terms and regulated 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 procedure adopted by the Board at its meeting on 23 June 2020 is available on the Company's website.

It is summarised below:

- Procedure concerning regulated related party agreements:

All regulated related party agreements must be submitted to the Board of Directors for ex-ante authorisation and to the Annual General Meeting for ex-post approval. The Board of Directors shall justify its decision by explaining the ways in which the agreement is in the Company's interests, and shall disclose details of its financial terms. The person(s) directly or indirectly concerned by the agreement shall not take part in the deliberations or vote of the Board of Directors on the authorisation concerned. Furthermore, the shares held by said person(s) shall not be taken into account for the purpose of determining whether the agreement is approved by a majority vote of the Annual General Meeting.

The Board of Directors shall review each year the regulated related party agreements authorised and signed during the last financial year or previous financial years, that continued to be implemented during the last financial year, or that had not been executed at the time of the review. Said review shall cover:
- for each of the agreements authorised during a previous financial year that continued to be implemented during the last financial year or is likely to continue to be implemented or will be executed in a future financial year, an examination of the rules for calculating the agreement's financial terms and adjusting them over time;
- specific information for each agreement that has undergone a substantial change in its amount or financial terms, due for example to the application of an indexation clause;
- agreements that the Board has determined no longer qualify as regulated related party agreements in light of changing circumstances.

- Procedure concerning routine agreements with related parties entered into on arm's length terms

Routine related party agreements entered into on arm's length terms shall be assessed by the Company's internal teams and their assessment shall be reviewed annually by the Audit Committee, to ensure that the following conditions continue to be met:
- Routine transactions are regular transactions carried out by the Company in the normal course of business and in line with its corporate purpose. Account is also taken of the usual practices of companies operating in the same sector as the Company.
- Arm's length terms are terms that are comparable to those applied by companies in the same sector or that are usually applied by the Company in its dealings with third parties.

"Routine transactions" and "arm's length terms" are cumulative criteria: in the absence of one or the other, the agreement will be subject to the procedure for regulated related party agreements.

If recommended by the Audit Committee, the Board of Directors may re-qualify routine agreements as regulated related party agreements.

The person(s) directly or indirectly concerned by any of these agreements shall not take part in their assessment, in accordance with Article L.22-10-12 of the French Commercial Code.

At its meeting on 19 November 2021, the Audit Committee assessed the routine related party agreements entered into on arm's length terms and concluded that this classification continued to be appropriate.

7.2. Regulated related party agreement authorised during the year

At its meeting of 3 June 2021, in accordance with Article L.225-38 of the French Commercial Code, the Board of Directors authorised the signature of the Sale and Exchange Agreement between SFL and Predica, a shareholder owning more than 10% of SFL's capital at that date.

Pursuant to Article L.225-40 of the French Commercial Code, which stipulates that any person directly or indirectly concerned by a regulated agreement must abstain from taking part in the deliberations or vote on the requested authorisation, and in accordance with the conflict of interest rules of the AFEP-MEDEF Code to which SFL refers, Najat Aasqui, a director at the time who was present at the meeting, did not take part in the discussions or vote on the decisions relating to the Colonial transaction submitted to the Board, because of her ties to Predica (Jean-Jacques Duchamp, who was also a director at that date and also had ties to Predica, was represented at the meeting by Najat Aasqui).

The directors representing Colonial indicated that they intended to follow the recommendations of the special committee due to their potential conflict of interest resulting from the link between the Offer and the regulated agreement relating to the exchange and buyback transactions.

In accordance with Article L.225-40 of the French Commercial Code, the Sale and Exchange Agreement, signed following the meeting of the Board of Directors on 3 June 2021, is described in the Statutory Auditors' special report (page 205 of this Universal Registration Document) and will be submitted to the shareholders for approval at the Annual General Meeting of 7 April 2022 (4th ordinary resolution).

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 2021.

Date of AGM	Authorisation or delegation of competence	Used/unused in 2021	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
15 April 2021	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	26 months
15 April 2021	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	26 months
15 April 2021	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	26 months
15 April 2021	Authorisation given to the Board of Directors, for share issues with or without pre-emptive subscription rights for existing shareholders, to increase the number of shares issued.	Unused	26 months
15 April 2021	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
15 April 2021	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
15 April 2021	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
15 April 2021	Delegation of competence to the Board of Directors to issue shares to employees who are members of an Employee Share Ownership Plan, without pre-emptive subscription rights for existing shareholders, duration of the authorisation, purposes, terms and conditions, and ceiling.	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
15 April 2021	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.	Unused	38 months

9. Shareholder participation in 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)

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:

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. 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.

6. 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.

7. The delegations of authority to the Board of Directors are described in section 9.6.3 of the Management Report on the share buyback programme and in the financial authorisations table (page 39).

8. Contracts entered into by the Company that would be affected or terminated by a change of control are described in section 10 of the Management Report (page 41).

9. 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 127).
   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 117).

The Board of Directors

Appendix 14.5 – Report of the Board of Directors to the Extraordinary General Meeting

We invite shareholders to adopt the extraordinary resolutions presented below.

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

In relation to the twelfth 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 twelfth 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. 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 (second extraordinary resolution)

Shareholders are invited to adopt the second 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 2022

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 14.6 – Agenda and proposed resolutions for the Annual General Meeting of 7 April 2022

Agenda

Ordinary Meeting

1. Approval of the Company financial statements for the year ended 31 December 2021.
2. Approval of the consolidated financial statements for the year ended 31 December 2021.
3. Appropriation of profit for the year ended 31 December 2021 and dividend.
4. Approval of the Sale and Exchange Agreement between SFL and Predica, in accordance with Articles L. 225-38 *et seq.* of the French Commercial Code.
5. Re-election as a director of Arielle Malard de Rothschild.
6. Re-election as a director of Juan José Brugera Clavero.
7. Re-election as a director of Pere Viñolas Serra.
8. 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.
9. 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 2021, in accordance with Article L.22-10-34 I of the French Commercial Code.
10. 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 2021.
11. Approval of the components of the remuneration paid or awarded to Nicolas Reynaud, Chief Executive Officer, for the year ended 31 December 2021.
12. 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.
13. Powers to carry out formalities.

Extraordinary Meeting

1. 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.
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.
3. Powers to carry out formalities.

Proposed resolutions

Ordinary resolutions

FIRST ORDINARY RESOLUTION (Approval of the Company financial statements for the year ended 31 December 2021)

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 2021 as presented, showing a profit of €1,093,150,824.25, 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 2021)

The Annual General Meeting, having considered the Board of Directors' Corporate Governance Report, the Group Management Report included in the Board of Directors' Management Report, and the Statutory Auditors' report on the consolidated financial statements, approves the consolidated financial statements for the year ended 31 December 2021 as presented, showing profit attributable to owners of the parent of €292,041 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 2021 and dividend)

The Annual General Meeting, having considered the Board of Directors' Management Report and the Statutory Auditors' report on the Company financial statements:

1. Notes that profit for the year ended 31 December 2021, after tax and additions to provisions, amounts to €1,093,150,824.25.
2. Notes that profit available for distribution, including retained earnings brought forward from the prior year, is as follows:

Profit for the year ended 31 December 2021:	€1,093,150,824.25
Retained earnings brought forward from the prior year	€234,979.50
Profit available for distribution	€1,093,385,803.75

3. Approves the recommendation of the Board of Directors and resolves to pay shareholders a dividend per share of €4.20, representing a total payout of €180,031,803 based on the 42,864,715 shares outstanding at 31 December 2021.
4. Resolves, based on the recommendation of the Board of Directors: to deduct the total dividend from profit for the year.
5. Resolves to appropriate the balance of profit for the year, i.e. €913,119,021.25, to retained earnings, which will amount to €913,354,000.75 after this appropriation.

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 20 April 2022.

The dividend will be paid in cash as from 22 April 2022.

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 Meetings notes that the dividend of €180,031,803 (€4.20 per share) will qualify as securities revenue *(revenu de capitaux mobiliers)* as defined in Article 158-3, paragraph 1, of the French Tax Code (*Code général des impôts*). The total amount will be paid out of profit that is exempt from corporate income tax under the tax rules applicable to French real estate investment trusts ("SIICs").

Consequently, individual shareholders resident in France will not be entitled to the 40% tax relief provided for in Article 158-3, paragraph 2, of the French Tax Code, even if they have made a general election to pay tax at the graduated rate (Article 158-3, paragraph 3-b *bis* of the 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 238-0 A 1 and 2 *bis* 1° of the French Tax Code; or
- 25% 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)
2018	€2.65	–	€2.65	–	€123,301,781.10
2019	€2.65	€0.28	€2.37	–	€123,301,781.10
2020	€2.10	€0.0582	€0.8929	€1.1489	€97,710,845.40

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

FOURTH ORDINARY RESOLUTION (Approval of the Sale and Exchange Agreement between SFL and Predica, in accordance with Articles L.225-38 *et seq.* of the French Commercial Code)

The Annual General Meeting, having considered the Board of Directors' Corporate Governance Report and the Statutory Auditors' special report on related party agreements governed by Articles L.225-38 *et seq.* of the French Commercial Code, approves the Sale and Exchange Agreement between the Company and Predica presented in the Statutory Auditors' special report and notes that no other agreement governed Articles L. 225-38 *et seq.* of the French Commercial Code was entered into during the year ended 31 December 2021.

FIFTH ORDINARY RESOLUTION (Re-election as a director of Arielle Malard de Rothschild)

The Annual General Meeting, having noted that Arielle Malard de Rothschild'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 2024.

SIXTH ORDINARY RESOLUTION (Re-election as a director of Juan José Brugera Clavero)

The Annual General Meeting, having noted that Juan José Brugera Clavero's term of office as a director expires at the close of the Meeting, resolves to re-elect him for a one-year term expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending 31 December 2022.

SEVENTH ORDINARY RESOLUTION (Re-election as a director of Pere Viñolas Serra)

The Annual General Meeting, having noted that Pere Viñolas Serra's term of office as a director expires at the close of the Meeting, resolves to re-elect him for a three-year term expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending 31 December 2024.

EIGHTH 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 2022 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 (including the amendments to the 2021 remuneration policy), as described in section 4 of the Corporate Governance Report presented by the Board of Directors for the year ended 31 December 2021.

NINTH 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 2021, 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 2021, as described in section 5 of the Corporate Governance Report presented by the Board of Directors for the year ended 31 December 2021.

TENTH 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 2021)

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 2021 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 2021.

ELEVENTH ORDINARY RESOLUTION (Approval of the components of the remuneration paid or awarded to Nicolas Reynaud, Chief Executive Officer, for the year ended 31 December 2021)

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 2021 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 2021.

TWELFTH 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 15 April 2021 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 €110 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 2021, the total amount invested in the share buyback programme will represent a maximum of €471,511,810 corresponding to 4,286,471 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.

THIRTEENTH ORDINARY RESOLUTION (Powers to carry out formalities)

The Annual General Meeting gives full powers to the bearer of an extract or copy of the minutes of the Meeting to carry out all necessary formalities.

Extraordinary resolutions

FIRST EXTRAORDINARY RESOLUTION (Authorisation to be given to the Board of Directors to cancel shares held in treasury stock pursuant to Article L.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.

SECOND 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.

THIRD 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 14.7 – Portfolio at 31 December 2021

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*	Haussmann Saint-Augustin	**13,434**	11,683	791					960		104
8th *arrondissement*	Galerie des Champs-Élysées	**8,662**		4,719					1,819	2,124	125
8th *arrondissement*	90 Champs-Élysées	**8,861**	7,912	932						17	
8th *arrondissement*	92 Champs-Élysées	**7,692**	4,110	3,089						493	
8th *arrondissement*	Cézanne Saint-Honoré	**29,048**	24,437	1,849					1,257	1,504	128
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*	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		**380,653**	**279,661**	**35,764**	**3,125**	**8,019**	**6,790**	**12,336**	**17,777**	**17,179**	**2,965**

Consolidated Financial Statements for the Year Ended 31 December 2021

The consolidated financial statements were approved for publication by the Board of Directors on 18 February 2022.

A – Consolidated Statement of Financial Position

ASSETS

(in thousands of euros)	Notes Section E	31 Dec. 2021	31 Dec. 2020
Intangible assets	V - 1	2,237	1,244
Property and equipment	V - 2	19,625	20,804
Investment property	V - 4	7,496,094	7,081,176
Non-current financial assets	VII - 5	4,346	514
Other non-current assets	VI - 4	44,712	26,832
Total non-current assets		**7,567,015**	**7,130,570**
Investment property held for sale	V - 5	–	259,459
Trade and other receivables	VI - 3	46,673	83,431
Other current assets	VI - 4	2,762	2,050
Cash and cash equivalents	VII - 6	114,881	15,283
Total current assets		**164,316**	**360,223**
Total Assets		**7,731,331**	**7,490,793**

EQUITY AND LIABILITIES

(in thousands of euros)	Notes Section E	31 Dec. 2021	31 Dec. 2020
Share capital	VIII - 1	85,729	93,058
Reserves		4,009,052	4,266,590
Profit for the period		292,041	286,879
Equity attributable to owners of the parent		**4,386,822**	**4,646,526**
Non-controlling interests		1,097,177	550,442
Total non-controlling interests		**1,097,177**	**550,442**
Total equity	**VIII - 1**	**5,483,999**	**5,196,968**
Long-term borrowings and derivative instruments	VII - 1	1,488,742	1,476,560
Long-term provisions	IX - 1	1,844	1,608
Deferred tax liabilities	XI - 2	210,666	217,266
Other non-current liabilities	VI - 6	28,748	27,691
Total non-current liabilities		**1,730,000**	**1,723,126**
Trade and other payables	VI - 5	45,052	43,708
Short-term borrowings and other interest-bearing debt	VII - 1	413,256	480,937
Short-term provisions	IX - 1	960	1,007
Other current liabilities	VI - 6	58,064	45,047
Total current liabilities		**517,332**	**570,699**
Total equity and liabilities		**7,731,331**	**7,490,793**

B – Consolidated Statement of Comprehensive Income

(in thousands of euros)	Notes Section E	2021	2020
Rental income		**174,634**	**182,424**
Gross property expenses		(38,530)	(40,291)
Property expenses recovered from tenants		29,746	31,990
Property expenses, net of recoveries		(8,784)	(8,302)
Net property rentals	**VI - 1**	**165,850**	**174,122**
Other income	VI - 2	4,086	4,336
Depreciation, amortisation and impairment	V - 3	(1,211)	(915)
Provision expense, net	IX - 2	(1,766)	(1,700)
Employee benefits expense	X - 1	(22,739)	(14,582)
Other expenses	VI - 7	(9,978)	(8,653)
Profit on disposal of investment property	V - 6	108	–
Fair value adjustments to investment property	V - 4	255,177	176,526
Operating profit		**389,528**	**329,134**
Finance costs and other financial expenses	VII - 2	(27,968)	(29,878)
Financial income	VII - 2	17	17
Fair value adjustments to financial instruments	VII - 3	–	(10)
Discounting adjustments to receivables and payables		(80)	(150)
Other financial income and expenses	VII - 3	(2,200)	(4,309)
Profit before income tax		**359,296**	**294,804**
Income tax benefit	XI - 1-2	2,750	1,548
Profit for the period		**362,046**	**296,351**
Attributable to owners of the parent		**292,041**	**286,879**
Attributable to non-controlling interests	VIII - 6	70,005	9,472
Earnings per share	VIII - 4	€6.51	€6.19
Diluted earnings per share	VIII - 4	€6.49	€6.18
Other comprehensive income			
Actuarial gains and losses	IX - 1	(36)	(115)
Items that will not be reclassified to profit or loss		(36)	(115)
Valuation gains and losses on financial instruments (cash flow hedges)	VII - 3	6,751	(5,867)
Items that may be reclassified subsequently to profit or loss		6,751	(5,867)
Other comprehensive income/(expense)		**6,715**	**(5,983)**
Comprehensive income		**368,761**	**290,369**
Attributable to owners of the parent		**298,756**	**280,896**
Attributable to non-controlling interests	VIII - 6	70,005	9,472

C – Consolidated Statement of Changes in Equity

(in thousands of euros)	Share capital	Share premium account(1)	Revaluation reserve	Treasury shares	Cash flow hedging reserve	Other reserves(1)	Profit for the period	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total equity
Equity at 31 December 2019	**93,058**	**560,380**	**22,621**	**(17,936)**	**5,697**	**3,231,630**	**589,758**	**4,485,205**	**551,770**	**5,036,975**
Movements for the period										
Profit for the period	–	–	–	–	–	–	286,879	286,879	9,472	296,351
Other comprehensive income/(expense), net of tax	–	–	–	–	(5,867)	(115)	–	(5,983)	–	(5,983)
Comprehensive income	–	–	–	–	**(5,867)**	**(115)**	**286,879**	**280,896**	**9,472**	**290,369**
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**	**560,380**	**22,621**	**(17,953)**	**(170)**	**3,701,714**	**286,879**	**4,646,526**	**550,442**	**5,196,968**
Movements for the period										
Profit for the period	–	–	–	–	–	–	292,041	292,041	70,005	362,046
Other comprehensive income/(expense), net of tax	–	–	–	–	6,751	(36)	–	6,715	–	6,715
Comprehensive income	–	–	–	–	**6,751**	**(36)**	**292,041**	**298,756**	**70,005**	**368,761**
Appropriation of profit	–	–	–	–	–	286,879	(286,879)	–	–	–
Share cancellations	(7,329)	(346,921)	–	–	–	(1,097)	–	(355,347)	–	(355,347)
Treasury share transactions	–	–	–	3,841	–	–	–	3,841	–	3,841
Gains and losses on sales of treasury shares	–	–	–	(3,998)	–	–	–	(3,998)	–	(3,998)
Share-based payments	–	–	–	–	–	3,869	–	3,869	–	3,869
Changes in ownership interests without loss/acquisition of control	–	–	–	–	–	(109,350)	–	(109,350)	486,674	377,324
Dividends paid to owners of the parent	–	(53,456)	–	–	–	(44,020)	–	(97,476)	(9,944)	(107,420)
Equity at 31 December 2021	**85,729**	**160,003**	**22,621**	**(18,110)**	**6,581**	**3,837,960**	**292,041**	**4,386,822**	**1,097,177**	**5,483,999**

(1) See Note VIII - 1.

D – Consolidated Statement of Cash Flows

(in thousands of euros)	Notes Section E	2021	2020
Cash flows from operating activities			
Profit for the period attributable to owners of the parent		292,041	286,879
Fair value adjustments to investment property	V - 4	(255,177)	(176,526)
Depreciation and amortisation expense (excluding impairment)	V - 3	1,211	915
Net additions to provisions	IX - 1	154	817
Net (gains)/losses from disposals of investment property	V - 6	(108)	–
Discounting adjustments to debt and fair value adjustments to financial instruments		80	160
Other financial income and expenses	VII - 3	2,200	4,309
Deferral of rent-free periods and key money	VI - 1	5,300	(1,171)
Employee benefits	X - 3	3,869	3,270
Non-controlling interests in profit for the period	VIII - 6	70,005	9,472
Cash flow after finance costs and income tax		**119,575**	**128,126**
Finance costs	VII - 2	27,951	29,861
Income tax expense/(benefit)	XI - 1-2	(2,750)	(1,548)
Cash flow before finance costs and income tax		**144,776**	**156,439**
Change in working capital		13	(7,554)
Interest paid		(28,405)	(28,076)
Interest received		17	17
Income tax paid		(6,030)	(13,876)
Net cash provided by operating activities		**110,371**	**106,950**
Cash flows from investing activities			
Acquisitions of and improvements to investment property	XIII - 1	(129,378)	(132,182)
Acquisitions of intangible assets and property and equipment		(1,025)	(2,106)
Amounts due on asset acquisitions		2,049	16,617
Proceeds from disposals of investment property, intangible assets and property and equipment	V - 6	264,000	–
Investment property disposal costs	V - 6	(1,279)	–
Other cash inflows and outflows		5	2,301
Net cash provided by (used by) investing activities		**134,372**	**(115,370)**
Cash flows from financing activities			
Capital increases/(reductions)	VIII - 1	(1,097)	–
Purchases and sales of treasury shares, net		(157)	(17)
Cash inflows/(outflows) from changes in ownership interests without acquisition/loss of control	VIII - 5	(38,205)	–
Dividends paid to owners of the parent	VIII - 3	(97,476)	(122,828)
Dividends paid to non-controlling interests		–	(8,498)
Proceeds from borrowings	XIII - 2	1,338,463	1,745,071
Repayments of borrowings	XIII - 2	(1,344,133)	(1,646,764)
Other movements in financing items		1,822	(1,625)
Net cash provided by (used by) financing activities		**(140,783)**	**(34,661)**
Net change in cash and cash equivalents		**103,960**	**(43,081)**
Cash and cash equivalents at beginning of period		10,921	54,002
Cash and cash equivalents at end of period	XIII - 1	114,881	10,921
Net change in cash and cash equivalents		**103,960**	**(43,081)**

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 2021:

- Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39 Interest Rate Benchmark Reform – Phase 2. These amendments complete existing guidelines and address the effects of the reform on a company's financial statements that arise when an interest rate benchmark is replaced with an alternative benchmark rate. They are designed to assist companies in providing useful information concerning the reform's impact on their financial statements. None of the Group's confirmed credit lines were indexed on the old interest rate benchmarks (Libor and Eonia) and therefore no interest rates were replaced at 31 December 2021.
- Amendments to IFRS 4 – Applying IFRS 9 Financial Instruments with IFRS 4. The Group is not concerned by these amendments because IFRS 4 only applies to insurance companies.
- Amendments 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 year. 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.

Based on IAS 19 – Employee Benefits, the IFRS Interpretations Committee (IFRIC) decided that benefits for a particular defined benefit plan should be attributed to the periods of service in which the benefit obligation arises. The impact of this decision on the consolidated financial statements is not material.

The following amendments published by the IASB had not yet been adopted by the European Union at 31 December 2021:

- 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 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 2023.
- Amendments to IAS 1 – Disclosure of Accounting Policies. The purpose of these amendments is to help companies improve accounting policy disclosures so that they provide more useful information to users of the financial statements. They require companies to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted.
- Amendments to IAS 8 – Definition of Accounting Estimates Changes in accounting estimates were previously defined as follows: "A change in accounting estimate is an adjustment to the carrying amount of an asset or liability, or to the amount of the periodic consumption of an asset, resulting from an assessment of the current status of the asset or liability and the expected future benefits and obligations associated with it. Changes in accounting estimates result from new information or new developments and, therefore, are not corrections of errors." This definition has been deleted and replaced by the following definition of accounting estimates: "Accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty." The IASB has stipulated that the amendments to IAS 8 are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted.
- Amendments to IFRS 17 – Insurance Contracts. The purpose of these amendments is to help companies implement the standard. The Group is not concerned by these amendments because IFRS 17 only applies to insurance companies.
- Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction Under certain circumstances, companies are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations – transactions for which companies recognise both an asset and a liability. The amendments clarify that the exemption does not apply and that companies are required to recognise deferred tax on such transactions. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations. The amendments are effective for annual periods beginning on or after 1 January 2023, for qualifying transactions occurring on or after the opening date of the first comparative period presented. Early application is permitted. The Group's financial statements at 31 December 2021 do not include any assets and liabilities recognised in a single transaction and therefore, the amendment was not early-adopted.

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 period 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 period 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 V - 4).

All of the Group's financial instruments are measured using standard market valuation models (see Note VII - 4).

II - Significant Events of the Year

II - 1) Redevelopment and renovation programmes

Properties undergoing development at 31 December 2021 represented roughly 20% of the total portfolio. The two main projects concern:

- Retail space in the Louvre Saint-Honoré building, which is scheduled for delivery in late 2023 under a turnkey lease on over 20,000 sq.m. During 2021, site clearance and asbestos removal work continued and general contracting work began.
- The Biome office complex on avenue Emile Zola (approximately 24,000 sq.m.). Redevelopment work continued during the period, with the building scheduled for delivery in 2022.

Full renovation of the building at 83 avenue Marceau (approximately 9,000 sq.m.) was completed in 2021 and the building was delivered in the second half. This property is now fully let.

Disposal of the 112 Wagram and 9 Percier properties was completed in early 2021. The disposal processes were launched in 2020 under the Group's asset rotation policy. These two properties were sold in January and February 2021 at a net sale price of €120.5 million and €143.5 million, respectively. These prices were taken into account in their fair value measurement as at 31 December 2020 and reflected an average increase in value of around 17% over the year. This outstanding performance confirms the quality of SFL's assets and strategic positioning.

No properties were acquired in 2021.

In 2021, the Group signed leases on approximately 57,000 sq.m. of mainly office space, primarily in the Washington-Plaza, #cloud.paris, Cézanne Saint-Honoré and Édouard VII properties.

II - 2) Financing

During the year, the Group carried out the following transactions:

- The outstanding 1.875% 2014 bonds, which matured in November 2021, were redeemed for €250 million.
- The Parholding sub-group entities' mortgage loans due in July 2022 were repaid in advance for a total of €196 million.
- The Group raised €500 million through the issue of 6.5-year 0.50% bonds due 21 April 2028.
- A new €100 million five-year revolving line of credit was obtained from Banca Intesa Sanpaolo (Paris branch).

These transactions extended the average maturity of the Group's debt as part of its proactive balance sheet management strategy. The funds will be used for general corporate purposes.

II - 3) Impacts of the Covid-19 health crisis

During the year, SFL continued to apply the measures deployed in 2020 to limit the pandemic's effects on its business and results.

The rent collection rate was very satisfactory throughout the year (at between 96% and 98% in each of the quarters). Past-due rents were reviewed on a case-by-case basis to determine whether a provision was needed. Very few new support measures were granted to tenants during the year.

The rental market had slowed since the onset of the Covid-19 crisis, but it picked up in the second half of 2021 and leases were signed by SFL on several significant units.

The Covid-19 crisis had little impact on appraisal values at 31 December 2021. In particular, SFL's office properties demonstrated a certain resilience during the crisis. However, valuation assumptions for retail units had to be adjusted at the end of the first half to take into account investor aversion to this asset class and uncertainty about the level of turnover-based rents.

II - 4) Transaction involving SFL shares and changes in the partnership with Predica

On 3 June 2021, Colonial – SFL's majority shareholder – announced a proposed two-step transaction:

– A simplified cash and paper offer for the SFL shares not already held by Colonial and Predica. Details of the offer were submitted to France's securities regulator, Autorité des Marchés Financiers (AMF), on 16 June 2021 and the offer was given the go-ahead by the AMF on 20 July 2021. At the end of the offer period, which ran from 22 July 2021 to 25 August 2021 inclusive, Colonial held 98.3% of the share capital of SFL;

– A change in the existing partnership between SFL and Prédica to consolidate their long-term relationship. This second step involved the buyback and cancellation by SFL of some of the SFL shares held by Predica (representing 7.86% of the capital), and an asset swap whereby SFL acquired Predica's interest in the Washington Plaza, 106 Haussmann, Galerie des Champs-Élysées and 90 Champs-Élysées properties and Predica acquired SFL's non-controlling interests (49%) in the #cloud.paris, Cézanne Saint-Honoré, 92 Champs-Élysées and 103 Grenelle properties. Predica then swapped its remaining 5% interest in SFL's capital for Colonial shares. The transactions were completed on 4 August 2021. Their impact on the consolidated financial statements is presented in Notes VIII - 1 and VIII - 5.

II - 5) Subsequent events

None.

III - Effects of Climate Change

Climate change is bringing about profound changes in the economy, which is why increasing attention needs to be paid to its effects on companies' financial and non-financial performance. To address the major challenges associated with these changes, very ambitious objectives have been set in the European Green Deal, the Glasgow Climate Pact (COP26) and the Paris Agreement (COP21). Meeting these objectives will involve radical transformations.

The purpose of this note is to present the impact of these changes on the Group's business and performance, as well as the main impacts on the consolidated financial statements.

III - 1) Effects of climate change on the Group's financial position

The construction industry accounts for nearly one quarter of all greenhouse gas emissions in France, For this reason, the Group has developed a strategy to monitor the risks and impacts of climate change, supported by measures to address them.

The main effects of changing weather conditions on the consolidated financial statements have been identified. These effect cannot be measured with perfect accuracy, as it is difficult to separate them from other factors that influence developments over the reporting period. However, the main effects on the Group's financial information can be summarised as follows:

- The impact on appraisal values should be positive. The Group's buildings are recognised as being of a high environmental quality (as evidenced by the certifications they have received) and the appraisers have therefore included a 15% average premium in their estimates of market rents and capitalisation rates.
- Capital expenditure and building operating costs have increased due to the cost of work needed to anticipate changes in industry regulations and strengthen customer loyalty. For example, the intallation of LED lighting, more efficient heating systems, and digital technical systems to track energy use more accurately is required.
- Various other expenditures will be necessary, such as environmental certification costs (mainly Building Research Establishment Environmental Assessment Method (BREEAM), Global Real Estate Sustainability Benchmark (GRESB), and European Public Real Estate Association (EPRA)), ESG data publication costs (data collection, preparation of reports, other internal and external resources), and the cost of bonuses paid to certain employees and/or members of the Management Committee for meeting ESG objectives.

III - 2) Other potential effects on the consolidated financial statements

Other potential climate-related effects, none of which had an impact on the 2021 consolidated financial statements, include:

- Risks related to financial instruments (IFRS 7): at the reporting date, the Group did not have any financing instruments indexed to CSR performance indicators, for which the interest rate would vary based on ESG criteria. Consequently, taking into account the effects of climate change had no impact on SFL's financing structure. Since the beginning of 2022, the Group has started the process of converting its bond debt into green bonds.
- Provisions for environmental levies (IAS 37): the Group's investment choices have ensured that it is in compliance with climate-related regulations. As a result, the Group has not received any penalties for non-compliance. A regulatory watch system has been set up to anticipate changes in climate-related legal requirements and proactively initiate any necessary compliance measures. For this reason, no provision has been set aside at 31 December 2021 for levies or penalties for non-compliance with emerging regulatory standards.
- Impairment of assets (IAS 36) or adjustment of the useful lives and residual values of plant, property and equipment (IAS 16): the Group's portfolio consists mainly of investment properties measured using the Fair Market Value option; consequently, the application of IAS 36 and IAS 16 has no impact on the consolidated financial statements.

IV - 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	2021
Rental income	**142,023**	**30,573**	**2,037**	–	**174,634**
Gross property expenses	(30,136)	(6,477)	(1,917)	–	(38,530)
Property expenses recovered from tenants	24,033	5,199	514	–	29,746
Property expenses, net of recoveries	(6,103)	(1,278)	(1,403)	–	(8,784)
Net property rentals	**135,920**	**29,296**	**634**	–	**165,850**
Other income	2,922	387	93	684	4,086
Depreciation, amortisation and impairment	–	–	–	(1,211)	(1,211)
Provision expense, net	(661)	76	–	(1,181)	(1,766)
Employee benefits expense	–	–	–	(22,739)	(22,739)
Other expenses	–	–	–	(9,978)	(9,978)
Profit on disposal of investment property	108	–	–	–	108
Fair value adjustments to investment property	242,950	13,188	(962)	–	255,177
Operating profit/(loss)	**381,239**	**42,947**	**(235)**	**(34,424)**	**389,528**
Finance costs and other financial expenses	–	–	–	(27,968)	(27,968)
Financial income	–	–	–	17	17
Fair value adjustments to financial instruments	–	–	–	–	–
Discounting adjustments to receivables and payables	–	–	–	(80)	(80)
Other financial income and expenses	–	–	–	(2,200)	(2,200)
Profit/(loss) before income tax	**381,239**	**42,947**	**(235)**	**(64,656)**	**359,296**
Income tax benefit/(expense)	–	–	–	2,750	2,750
Profit/(loss) for the period	**381,239**	**42,947**	**(235)**	**(61,906)**	**362,046**
Attributable to owners of the parent	**311,345**	**40,300**	**(235)**	**(59,369)**	**292,041**
Attributable to non-controlling interests	69,895	2,647	–	(2,537)	70,005
Other comprehensive income					
Actuarial gains and losses	–	–	–	(36)	(36)
Items that will not be reclassified to profit or loss	–	–	–	(36)	(36)
Valuation gains and losses on financial instruments (cash flow hedges)	–	–	–	6,751	6,751
Items that may be reclassified subsequently to profit or loss	–	–	–	6,751	6,751
Other comprehensive income/(expense)	–	–	–	**6,715**	**6,715**
Comprehensive income/(expense)	**381,239**	**42,947**	**(235)**	**(55,191)**	**368,761**
Attributable to owners of the parent	**311,345**	**40,300**	**(235)**	**(52,654)**	**298,756**
Attributable to non-controlling interests	69,895	2,647	–	(2,537)	70,005

(in thousands of euros)	Paris CBD	Other Paris	Western Crescent	Corporate	31 Dec. 2021
Segment assets	6,198,882	1,237,614	116,329	140,969	7,693,794
Unallocated assets	–	–	–	37,537	37,537
Total assets	**6,198,882**	**1,237,614**	**116,329**	**178,505**	**7,731,331**

The segment analysis for 2020 is as follows:

(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 period	**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	**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**

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.

V - Intangible Assets, Property and Equipment, and Investment Property

V - 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. 2020	Increases	Decreases	Reclassifications	31 Dec. 2021
Cost					
Computer software	7,426	–	–	1,671	9,097
Other	1,373	644	–	(827)	1,189
Amortisation and impairment					
Computer software	(6,722)	(495)	–	–	(7,218)
Other	(832)	–	–	–	(832)
Carrying amount	**1,244**	**149**	–	843	**2,237**

V - 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. 2020	Increases	Decreases	Reclassifications	31 Dec. 2021
Cost					
Owner-occupied property	21,238	–	–	–	21,238
Other property and equipment	7,515	381	(216)	(843)	6,836
Depreciation and impairment					
Owner-occupied property	(3,793)	(206)	–	–	(4,000)
Other property and equipment	(4,156)	(510)	216	–	(4,449)
Carrying amount	**20,804**	**(335)**	–	(843)	**19,625**

The fair value excluding transfer costs of owner-occupied property – corresponding to the Company's headquarters – was €51,040 thousand at 31 December 2021 and €51,359 thousand at 31 December 2020.

V - 3) Depreciation, amortisation and impairment

(in thousands of euros)	2021	2020
Amortisation and impairment of intangible assets	(495)	(140)
Depreciation and impairment of property and equipment	(716)	(775)
Total	**(1,211)**	**(915)**

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.

V - 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.
Investment property is 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 that are included in the fair value calculation, to avoid these effects being taken into account twice.
Investment property is reclassified as held for sale when their sale is considered as highly probable. 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 2021 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: 59%
– CBRE: 41%

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 valuers other than for the half-yearly and annual appraisals, include marketing fees (tenant searches) fees related to property disposals and fees for valuations performed in connection with refinancing projects. In 2021, they amounted to €1,115 thousand.

The properties are valued primarily by the discounted cash flows method, which consists of discounting projected future cash flows. Assumptions concerning future revenue flows take into account passing rents, estimated market rents for the period beyond the lease expiry date, 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 period on similar properties. These differences were taken into account to value the properties according to their current occupancy, based on the duration of the underlying leases.

Vacant units were valued on the basis of assumed rents, excluding rent for the estimated marketing period, the period needed to complete the renovation work 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 period.

The results obtained are then compared to market data and adjusted, if necessary, to obtain a market-consistent value. However, given that these appraisal values are essentially estimates that are sensitive to changes in rental values and discount rates, the proceeds from the sale of certain property assets may be different to their appraisal value, even if the sale takes place within a few months of the period-end.

The appraisal values are quoted both including transfer costs (calculated on the basis of a flat 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.

Properties in the process of being redeveloped are measured at fair value. Fair value estimates for these properties are determined using the discounted cash flows method and are considered to be reliable.

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. 2020	Increases	Gains from remeasurement at fair value	Decreases	Losses from remeasurement at fair value	Reclassifications	31 Dec. 2021
Investment property	7,081,176	159,741	353,757	–	(98,580)	–	7,496,094
Total	**7,081,176**	**159,741**	**353,757**	**–**	**(98,580)**	**–**	**7,496,094**

Reconciliation of the appraisal values of investment property to their fair values in the statement of financial position:

(in thousands of euros)	31 Dec. 2021	31 Dec. 2020
Appraisal value of investment property, excluding transfer costs	7,606,153	7,457,515
Deduction of owner-occupied property (see Note V - 2)	(51,040)	(51,359)
Adjustments to reflect specific lease terms and other adjustments	(59,019)	(65,521)
Reclassification of investment property held for sale	–	(259,459)
Fair value of investment property in the statement of financial position	**7,496,094**	**7,081,176**

The table below shows the fair value measurement inputs for each asset class:

Geographic area	Value excluding transfer costs (in € millions, on a 100% basis)	Inputs	Range of values(1)	Weighted average(1)
Paris Central Business District	6,252	Market rent	€630 - €940	€797
		Exit yield	2.60% - 3.11%	2.95%
		Discount rate	3.55% - 4.10%	3.76%
Other Paris	1,238	Market rent	€548 - €760	€684
		Exit yield	2.75% - 3.25%	2.99%
		Discount rate	3.90% - 5.50%	4.71%
Western Crescent	116	Market rent	€310 - €535	€479
		Exit yield	3.41% - 5.00%	3.80%
		Discount rate	4.35% - 6.10%	4.78%
Total	**7,606**			

(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 €626,955 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 €741,763 thousand.

Investment property valuation inputs used at 31 December 2020 were as follows 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 rent	€630 - €940	€758
		Exit yield	2.75% - 3.16%	2.93%
		Discount rate	3.70% - 4.20%	4.07%
Other Paris	1,167	Market rent	€548 - €744	€619
		Exit yield	3.10% - 3.50%	3.27%
		Discount rate	4.00% - 5.40%	4.48%
Western Crescent	115	Market rent	€320 - €547	€487
		Exit yield	3.55% - 5.00%	3.93%
		Discount rate	4.40% - 6.10%	4.85%
Total	**7,458**			

(1) Offices.

V - 5) Investment property held for sale

Accounting policy

Investment property is classified as held for sale if the 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 the sale must be highly probable.

During 2021, the Group disposed of two properties, both of which had been reclassified as held for sale at 31 December 2020 at their fair value, corresponding to the agreed sale price less the costs of disposal. The properties concerned were:

– 112 Wagram: sale completed on 13 January 2021 for a net sale price of €120.5 million.
– 9 Percier: sale completed on 17 February 2021 for a net sale price of €143.5 million.

(in thousands of euros)	31 Dec. 2020	Increases	Gains from remeasurement at fair value	Decreases	Losses from remeasurement at fair value	Reclassifications	31 Dec. 2021
Investment property held for sale	259,459	3	–	(259,462)	–	–	–
Total	259,459	3	–	(259,462)	–	–	–

V - 6) Profit on disposal of investment property

(in thousands of euros)	Sale price excl. transfer costs and tax	Carrying amount of the sold properties	Disposal gain	Disposal date
112 Wagram	120,500	120,474	26	13 January 2021
9 Percier	143,500	143,418	82	17 February 2021
Total	264,000	263,892	108	

The above carrying amounts include the costs of disposal for €1,279 thousand and the effects of specific lease terms (rent-free periods recognised over the non-cancellable lease term) for €3,151 thousand.

VI - Operating Activities

VI - 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 economic benefits are transferred on the effective date stipulated in the contract, or the date the tenant moves into the property 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 rental income 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. Rental income takes into account the deferral over the non-cancellable lease term of rent-free periods and rent step-ups (negative net impact of €3,350 thousand) and of key money (negative impact of €1,950 thousand). Revenue from external management contracts amounted to €6,230 thousand.

At 31 December 2021, 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)	**1,174,056**	**187,707**	**171,290**	**143,078**	**105,756**	**90,507**	**475,719**

(1) Nominal rent, without taking into account any rent-free periods.

At 31 December 2020, future minimum lease payments receivable over the remaining term of non-cancellable operating leases broke 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)	**1,033,110**	**176,089**	**158,373**	**128,602**	**94,372**	**60,814**	**414,861**

(1) Nominal rent, without taking into account any rent-free periods.

VI - 2) Other income

(in thousands of euros)	2021	2020
Own-work capitalised	678	311
Other income	3,408	4,025
Total	**4,086**	**4,336**

The caption "Other income" corresponds mainly to rental repairs and other work billed to tenants.

VI - 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. 2021			31 Dec. 2020
	Total	Due within 1 year	Due in 1 year or more	
Trade receivables	27,517	22,929	4,588	72,009
Provisions	(5,139)	(2,142)	(2,997)	(2,423)
Trade receivables	**22,378**	**20,787**	**1,591**	**69,586**
Prepayments to suppliers	83	83	–	(285)
Employee advances	6	6	–	1
Tax receivables (other than income tax)	21,810	21,810	–	13,038
Other operating receivables	1,280	1,280	–	902
Other receivables	1,116	1,116	–	189
Other receivables	**24,295**	**24,295**	–	**13,845**
Total	**46,673**	**45,082**	**1,591**	**83,431**

Trade receivables include outstanding receivables, and the short-term portion of receivables related to the recognition of rent-free periods and rent concessions in accordance with IFRS for €14,307 thousand. At 31 December 2020, receivables related to the recognition of rent-free periods and rent concessions amounted to €65,521 thousand, of which €18,190 thousand was due within one year. Receivables do not bear interest.

Cost of risk can be analysed as follows:

(in thousands of euros)	2021	2020
Increases in provisions	(867)	(888)
Reversals of provisions	225	5
Bad debt write-offs, net of recoveries	(27)	(4)
Total	**(670)**	**(887)**
Rental income	174,634	182,424
Cost of risk as a % of rental income	**0.38%**	**0.49%**

VI - 4) Other current and non-current assets

(in thousands of euros)	31 Dec. 2021	31 Dec. 2020
Non-current prepayments	–	26,832
Other trade receivables	44,712	–
Total other non-current assets	**44,712**	**26,832**
Income tax prepayments	47	1,855
Current prepayments	2,715	195
Total other current assets	**2,762**	**2,050**

Other trade receivables recorded under “Other non-current assets” correspond to the long-term portion of receivables relating to the recognition of rent-free periods and rent concessions in accordance with IFRS. At 31 December 2020, the long-term portion of receivables relating to the recognition of rent-free periods and rent concessions amounted to €47,331 thousand and was presented as a lump sum with the short-term portion under “Current assets”.

Current prepayments concern redevelopment work on the Cézanne Saint-Honoré property.

VI - 5) Trade and other payables

(in thousands of euros)	31 Dec. 2021	31 Dec. 2020
Trade payables	8,547	9,248
Amounts due within one year on asset acquisitions	36,505	34,460
Total	**45,052**	**43,708**

Amounts due within one year on asset acquisitions correspond mainly to the amounts payable to building contractors in connection with renovation work on the Louvre Saint-Honoré, Biome and 83 Marceau buildings.

VI - 6) Other current and non-current liabilities

(in thousands of euros)	31 Dec. 2021	31 Dec. 2020
Deposits	28,748	27,691
Total other non-current liabilities	**28,748**	**27,691**
Deposits	3,438	2,921
Customer prepayments	31,277	20,727
Accrued employee benefits expense	13,487	5,936
Accrued taxes	4,064	7,911
Other liabilities	3,846	7,200
Accruals	1,952	352
Total other current liabilities	**58,064**	**45,047**

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.

The amounts reported under "Accruals" correspond to deferred revenue.

VI - 7) Other expenses

(in thousands of euros)	2021	2020
Fees	(1,769)	(1,391)
Taxes other than on income	(1,764)	(2,663)
Other	(6,445)	(4,599)
Total	**(9,978)**	**(8,653)**

Fees paid to the Auditors in 2021 were as follows:

(in thousands of euros)	2021		2020	
	PricewaterhouseCoopers	Deloitte & Associés	PricewaterhouseCoopers	Deloitte & Associés
Statutory and contractual audits	349	284	328	245
Other services	62	44	87	44
Total	**411**	**328**	**415**	**289**

Fees for other services concerned the issuance of a comfort letter in connection with a bond issue, the review of the translation of financial information, the review, at the Group's request, of CSR information published in the management report, and the issuance of a certificate in connection with share grants.

VII - Financing Activities

VII - 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. 2021	31 Dec. 2020	31 Dec. 2021	31 Dec. 2020
	Nominal rate	Expiry date	Short-term portion		Long-term portion	
Bonds						
€500 million bond issue, 2021-2028	0.50%	21 April 2028	493	–	500,000	–
€500 million bond issue, 2020-2027	1.50%	5 June 2027	4,315	4,316	500,000	500,000
€500 million bond issue, 2018-2025	1.50%	29 May 2025	4,459	4,459	500,000	500,000
€500 million bond issue, 2015-2022	2.25%	16 Nov. 2022	290,421	821	–	289,600
€500 million bond issue, 2014-2021	1.875%	–	–	250,162	–	–
Bank loans						
NATIXIS – DEKA – DEUTSCHE HYPO	1.571%	–	–	2,622	–	195,000
Negotiable European commercial paper (NEU-CP)	Fixed rate (payable in advance)	Due within 1 year	117,000	165,000	–	–
Interest rate swaps						
CA-CIB 5-year swap starting 26 Nov. 2021	-0.3475%	-	–	–	–	457
Current account advances (liabilities)	Various		–	52,195	–	–
Bank overdrafts	Various		16	4,362	–	–
Impact of deferred recognition of debt arranging fees			(3,448)	(3,000)	(11,258)	(8,497)
Total			**413,256**	**480,937**	**1,488,742**	**1,476,560**

The following table analyses borrowings by maturity:

(in thousands of euros)	31 Dec. 2021	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years	31 Dec. 2020
Bonds	1,799,688	299,688	500,000	1,000,000	1,549,358
NATIXIS-DEKA-DEUTSCHE HYPO	–	–	–	–	197,622
NEU CP	117,000	117,000	–	–	165,000
CA-CIB 5-year 0.3475% swap	–	–	–	–	457
Current account advances (liabilities)	–	–	–	–	52,195
Bank overdrafts	16	16	–	–	4,362
Deferred debt arranging fees	(14,706)	(3,448)	(9,737)	(1,521)	(11,497)
Total	**1,901,998**	**413,256**	**490,263**	**998,479**	**1,957,497**

Debt covenants and acceleration clauses in force at 31 December 2021 concerned the following lines of credit: Société Générale, BECM, BNP Paribas, Cadif, Intesa Sanpaolo and La Banque Postale. They can be broken down as follows:

Applicable ratios	Actual ratios at 31 Dec. 2021	Actual ratios at 31 Dec. 2020	Main acceleration clauses
Loan-to-value (LTV) <= 50%	22.0%	23.8%	Default Termination of operations
Interest cover >= 2x	4.9	5.2	Bankruptcy proceedings
Secured LTV <= 20%	0.0%	2.5%	Breach of financial covenants
Unrestricted property portfolio value >= €2bn	€8.1bn	€6.8bn	Material adverse event

The Group was not in breach of any of its financial covenants at 31 December 2021.

VII - 2) Finance costs and other financial income and expenses

(in thousands of euros)	2021	2020
Interest on bank loans, bonds and commercial paper	(30,312)	(31,485)
Interest on external current account advances	(46)	(144)
Interest on hedging instruments	–	(274)
Other financial expenses	(3,668)	(3,452)
Capitalised interest expense	6,058	5,477
Finance costs and other financial expenses	**(27,968)**	**(29,878)**
Interest income	17	17
Financial income	**17**	**17**
Finance costs and other financial income and expenses, net	**(27,951)**	**(29,861)**

Capitalised interest expense corresponds to interest capitalised at the rate of 1.45% during the redevelopment of the Louvre Saint-Honoré, Biome and 83 Marceau buildings.

VII - 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 period-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 the period-end 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 V - 4) – taking into account the risk of non-performance (particularly the Group's own credit risk), in line with IFRS 13.

At 31 December 2021, derivatives held by the Group included:
- A 7-year collar set up with Société Générale (the option writer) on a notional amount of €100,000 thousand, with a -0.11% cap and a -0.60% floor. No premium is payable on this collar which was set up on 4 September 2019 and restructured in May 2021. It is a cash flow hedge qualifying for hedge accounting.
- A 5-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 2021, the portfolio of hedging instruments had a positive fair value of €4,124 thousand (including the cost of credit), breaking down as follows:

(in thousands of euros)	Notional amount	Maturity	31 Dec. 2021	31 Dec. 2020
CA-CIB swap at -0.3475%	100,000	Oct. 2021[(1)]	–	(457)
CIC swap at -0.4525%	100,000	Oct. 2021[(1)]	–	76
Société Générale collar -0.11%/-0.60%	100,000	Sept. 2026	1,671	46
CIC collar -0.25%/-0.52%	100,000	Nov. 2027	2,453	165
Total			**4,124**	**(170)**

(1) Date on which the instrument was unwound.

Two hedging instruments held by the Group at the beginning of the period were unwound to coincide with a new debt issue (see Note VII - 1), in exchange for a balancing payment. The instruments concerned were:
- 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 came into effect on 26 November 2021 and qualified 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 came into effect on 26 November 2021 and qualified for hedge accounting as a cash flow hedge.

As the hedges were 100% effective, the cumulative gains on these instruments recorded in the cash flow hedging reserve in equity are being reclassified to the profit and loss account to match the interest on the debt.

(in thousands of euros)	Notional amount	Date on which the instrument was unwound	Balance received	Amount reclassified to the profit and loss account	Amount retained in equity
CA-CIB swap at -0.3475%	100,000	Oct. 2021	1,001	26	975
CIC swap at -0.4525%	100,000	Oct. 2021	1,520	38	1,482
Total			2,521	64	**2,457**

Fair value adjustments to financial instruments through profit or loss and other financial income and expenses

(in thousands of euros)	2021	2020
Interest rate hedges	–	(10)
Debt retirement costs	(2,200)	(4,309)
Total	**(2,200)**	**(4,319)**

In 2021, debt retirement costs consisted of early repayment charges on Parholding's mortgage loan.

Fair value adjustments to financial instruments through other comprehensive income

(in thousands of euros)	2021	2020
Interest rate hedges	6,751	(5,867)
Total	**6,751**	**(5,867)**

Positive fair value adjustments recorded in other comprehensive income on financial instruments qualified as cash flow hedges amounted to €6,751 thousand in 2021 (2020: negative fair value adjustments of €5,867 thousand).

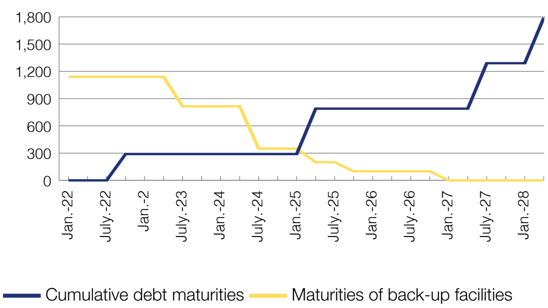
VII - 4) Financial risk management objectives and policy

The Group prudently manages its various financial risks.

1 - Liquidity risk

Liquidity risk is covered by confirmed undrawn lines of credit. At 31 December 2021, SFL had access to confirmed undrawn lines of credit in the amount of €1,140 million, compared with €1,040 million at 31 December 2020. 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 May 2025.

SFL liquidity risk



In addition to its undrawn lines of credit, SFL has diversified sources of financing (comprising bilateral lines of credit, bonds, NEU CP commercial paper programme, etc.) and a portfolio of high quality assets, all of which reduce its exposure to liquidity risk.

The acceleration clauses contained in the facility agreements are presented in Note VII - 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

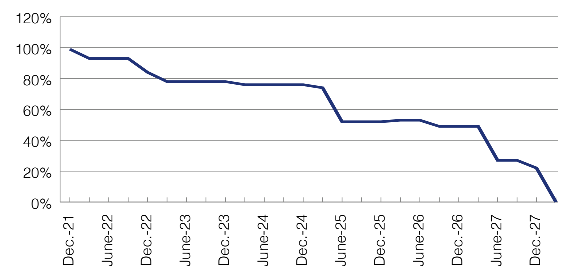
The Group did not have any exposure to currency risk at 31 December 2021. Interest rate risks are prudently and actively managed using an information system that tracks changes in the financial markets and calculates the fair value of hedging instruments in real time, thereby allowing the Group to efficiently 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 2021, 99% of debt was at fixed rates of interest (including variable rate debt swapped for fixed rate).

SFL debt hedging rate
2021 - 2027



b/ Risk assessment

The average spot cost of debt stood at 1.23% at 31 December 2021, versus 1.50% at 31 December 2020.

A 50-basis point rise in interest rates across the yield curve in 2021 would have had the effect of increasing the average cost of debt to 1.26%, driving up finance costs by €572 thousand or 2.05%. 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 1.22%, reducing finance costs for the year by €191 thousand or 0.68%.

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 €3,860 thousand at 31 December 2021, while a 50-basis point decrease would have had the effect of reducing their fair value by €4,020 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 2021.

(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)	117,000	–	–	–	–	–	117,000
Total floating rate debt	**117,000**	–	–	–	–	–	**117,000**

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 2021 was €1,836,854 thousand, as follows:

(in thousands of euros)	Nominal amount	Maturity	31 Dec. 2021	31 Dec. 2020
November 2014 bonds	249,700	Nov. 2021	–	253,024
November 2015 bonds	289,600	Nov. 2022	294,219	300,430
May 2018 bonds	500,000	May 2025	521,590	528,315
June 2020 bonds	500,000	June 2027	526,975	533,378
October 2021 bonds	500,000	April 2028	494,070	–
Total			**1,836,854**	**1,615,147**

VII - 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. 2021	31 Dec. 2020
Deposits	222	227
Interest rate hedges	4,124	287
Total	**4,346**	**514**

Hedging instruments with a positive fair value recognised in assets totalled €4,124 thousand at 31 December 2021 (see Note VII - 3). The instruments concerned are cash flow hedges qualifying for hedge accounting.

VII - 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.
Bank overdrafts represent a source of financing for the Group and they are therefore included in cash flows from financing activities in the statement of cash flows.

(in thousands of euros)	31 Dec. 2021	31 Dec. 2020
Cash at bank and in hand	114,881	15,283
Total	**114,881**	**15,283**

VIII - Equity and Earnings Per Share

VIII - 1) Equity

Equity is analysed in the consolidated statement of changes in equity included in the financial statements.

The Company's share capital at 31 December 2021 amounted to €85,729 thousand, represented by 42,864,715 ordinary shares with a par value of €2. At 1 January 2021, it amounted to €93,058 thousand, represented by 46,528,974 shares with a par value of €2. The asset swap carried out in connection with the Colonial transaction (see Note II - Significant Events of the Year) resulted in the cancellation of 3,664,259 SFL shares.

Capital increases or reductions are considered as "transactions with owners acting in their capacity as owners". Consequently, the direct costs associated with the transaction are recognised directly in equity. The impact of the share cancellation can be analysed as follows:

(in thousands of euros)	Reduction of share capital	Reduction of share premium account	Direct transaction costs	Total impact	*of which cash impact*	*of which non-cash impact*
Equity attributable to owners of the parent	(7,329)	(346,921)	(1,097)	(355,347)	(1,097)	(354,250)
Total	**(7,329)**	**(346,921)**	**(1,097)**	**(355,347)**	**(1,097)**	**(354,250)**

At 31 December 2019 and 31 December 2020, €4,264 thousand was reclassified from "Other reserves" to "Share premium account" to correct a classification error in the consolidated statement of changes in equity. This reclassification had no impact on attributable total equity or on the disclosures in the other financial statements or notes.

VII - 2) Treasury shares

Accounting policy

Acquisitions, disposals and cancellations of treasury shares are recorded as a deduction from equity.

	31 Dec. 2020	Increases	Decreases	31 Dec. 2021
Number of treasury shares	175,818	11,196	(72,851)	114,163
Average purchase/sale price, in euros	€73.27	€69.29	€63.38	€79.19
Total (in thousands of euros)	**12,882**	**776**	**(4,617)**	**9,040**

VIII - 3) Dividends

(in thousands of euros)	2021		2020	
	Total payout	Per share	Total payout	Per share
Dividend paid out during the year	97,476	€2.10	122,828	€2.65
Total	**97,476**	**€2.10**	**122,828**	**€2.65**

Dividends of €9,944 thousand due to Predica on its non-controlling interest in SFL were recorded in a current account and then exchanged with the Group as part of an asset swap (see Note VIII - 5).

VIII - 4) Earnings per share

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, i.e., the number of ordinary shares outstanding at the beginning of the period, net of treasury shares, adjusted for the time-weighted number of ordinary shares cancelled or issued during the period.

Diluted earnings per share are calculated by dividing profit attributable to ordinary owners of the parent by the weighted average number of ordinary shares outstanding during the period, net of treasury shares and adjusted for the dilutive effect of outstanding performance shares awarded to employees and corporate officers.

(in thousands of euros)	2021	2020
Profit used to calculate basic earnings per share	292,041	286,879
Average number of ordinary shares	45,002,199	46,528,974
Average number of treasury shares	(128,619)	(175,818)
Average number of ordinary shares excluding treasury shares	**44,873,580**	**46,353,156**
Basic earnings per share	**€6.51**	**€6.19**
Profit used to calculate basic earnings per share	292,041	286,879
Average number of ordinary shares	45,002,199	46,528,974
Average number of treasury shares	(128,619)	(175,818)
Average potential ordinary shares corresponding to dilutive instruments	102,099	92,286
Diluted weighted average number of ordinary shares excluding treasury shares	**44,975,679**	**46,445,442**
Diluted earnings per share	**€6.49**	**€6.18**

There were no other transactions on ordinary shares or potential ordinary shares between the period-end and the date when these financial statements were drawn up.

VIII - 5) Changes in ownership interests

Accounting policy

Acquisitions or disposals of interests in subsidiaries between the Group and minority shareholders that do not result in a change of control of the subsidiary are considered as "transactions with owners acting in their capacity as owners". The impact of these transactions is therefore recognised directly in equity without any impact on profit or loss or goodwill.

The accounting treatment of acquisitions of non-controlling interests is as follows:

1 - The acquired non-controlling interest is reclassified under “Equity attributable to owners of the parent”, and

2 - The purchase price of the acquired interest (or the value of the assets given in exchange) is eliminated against “Equity attributable to owners of the parent”.

The accounting treatment of disposals of non-controlling interests is as follows:

1 - The divested non-controlling interest in the subsidiary’s equity, determined on the basis of the amount by which the controlling interest is adjusted post-disposal, is deducted from “Equity attributable to owners of the parent”, and

2 - the sale price of the non-controlling interest (or the value of assets received in exchange) is recorded in “Equity attributable to owners of the parent”.

As the transactions below are "transactions with owners acting in their capacity as owners", the related direct costs are also recognised in equity.
The cash flows resulting from these asset swaps are included in cash flows from financing activities.

On 4 August 2021, the Group entered into an asset swap with its minority shareholder Predica, whereby SFL acquired Predica's interests in SCI Washington (34%) and SAS Parholding (50%), and sold its 49% minority interests in SCI 103 Grenelle, SCI Paul Cézanne, SAS 92 Champs-Élysées and SAS Cloud. The effects of these asset swaps are presented below:

(in thousands of euros)	Acquisitions of non-controlling interests	Disposals of non-controlling interests	Costs assumed for the benefit of Predica	Acquisition of SFL shares(1)	Current account advances transferred to the Group	Direct transaction costs	Total impact
Attributable to owners of the parent	549,572	(1,036,246)	(6,354)	354,250	62,137	(32,709)	(109,350)
Non-controlling interests	(549,572)	1,036,246	–	–	–	–	486,674
Total impact on equity	**–**	**–**	**(6,354)**	**354,250**	**62,137**	**(32,709)**	**377,324**

(1) The acquired SFL shares were immediately cancelled (see Note VIII - 1).

The transaction cash flows amounted to €38,205 thousand, consisting mainly of direct transaction costs.

VIII - 6) Non-controlling interests in net profit

Net profit for the period is allocated between the owners of the parent and non-controlling interests based on their respective ownership interests in the subsidiaries. Following the asset swap (see Note VIII - 5), non-controlling interests in net profit for the period break down as follows:

(in thousands of euros)	SCI Washington	Parholding Group	SCI Paul Cézanne	SCI 103 Grenelle	SAS 92 Champs-Élysées	SAS Cloud	Total 2021
Rental income	4,088	8,164	2,279	1,657	2,229	3,690	22,108
Fair value adjustments to investment property	5,004	(6,108)	23,760	943	3,175	24,605	51,379
Finance costs and other financial income and expense	(18)	(1,160)	(1)	(1)	(1)	(2)	(1,182)
Other	(143)	(753)	(159)	39	(404)	(880)	(2,300)
Total	**8,930**	**144**	**25,878**	**2,639**	**4,999**	**27,414**	**70,005**

The 2020 breakdown was follows:

(in thousands of euros)	SCI Washington	Parholding Group	SCI Paul Cézanne	SCI 103 Grenelle	SAS 92 Champs-Élysées	SAS Cloud	Total 2020
Rental income	7,848	13,783	–	–	–	–	21,631
Fair value adjustments to investment property	4,559	(15,207)	–	–	–	–	(10,648)
Finance costs and other financial income and expense	(97)	(1,799)	–	–	–	–	(1,896)
Other	398	(13)	–	–	–	–	385
Total	**12,709**	**(3,236)**	**–**	**–**	**–**	**–**	**9,472**

IX - Provisions

IX - 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 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 almost 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. 2020	Increases	Decreases	*o/w utilisations*	Actuarial gains and losses	Reclassifications	31 Dec. 2021
Provisions for employee benefits	1,608	1,181	(20)	*(20)*	36	(960)	1,844
Long-term provisions	**1,608**	**1,181**	**(20)**	***(20)***	**36**	**(960)**	**1,844**
Provisions for refurbishment work and tenant claims	276	–	(276)	*(219)*	–	–	–
Provisions for employee benefits	731	–	(731)	*(731)*	–	960	960
Short-term provisions	**1,007**	–	**(1,007)**	***(950)***	–	**960**	**960**
Total	**2,615**	**1,181**	**(1,027)**	***(970)***	**36**	–	**2,804**

Provisions for employee benefits include provisions for length-of-service awards payable to employees on retirement and jubilees for €1,346 thousand. See Note X - 2 for more details.

Short- and long-term provisions covering benefits payable to members of senior management amounted to €72.7 thousand at 31 December 2021 and €59 thousand at 31 December 2020.

IX - 2) Net change in provisions and impairment

(in thousands of euros)	2021	2020
Charges to provisions for impairment of current assets	(867)	(888)
Charges to provisions for operating contingencies and charges	(1,065)	(728)
Charges to provisions for other contingencies and charges	(116)	(89)
Total charges	**(2,048)**	**(1,705)**
Reversals of provisions for impairment of current assets	225	5
Reversals of provisions for other contingencies and charges	57	–
Total reversals	**282**	**5**
Total	**(1,766)**	**(1,700)**

X - Remuneration and Other Employee Benefits

X - 1) Employee benefits expense

Employee benefits expense breaks down as follows:

(in thousands of euros)	2021	2020
Wages and salaries	(6,758)	(7,325)
Payroll taxes	(4,803)	(3,805)
Other employee benefits	(3,853)	(3,198)
Statutory and discretionary profit-sharing	(7,325)	(254)
Total	**(22,739)**	**(14,582)**

The average number of administrative staff breaks down as follows:

	2021	2020
Officers	2	2
Managers	56	58
Supervisors	13	12
Administrative and technical staff	–	1
Total	**71**	**73**

The Group also had two building caretakers at 31 December 2021 and 2020.

X - 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 period. They are calculated at six-monthly intervals based on actuarial assumptions. Actuarial gains and losses are included in "Other comprehensive income". The benefit cost is determined based on employee service rendered up to the measurement date, assuming employees retire at their own initiative.

(in thousands of euros)	2021	2020
Projected benefit obligation at beginning of period	**1,215**	**1,018**
Benefits paid during the period	(20)	(7)
Service cost	113	83
Interest cost	3	6
Actuarial gains and losses	36	115
Projected benefit obligation at end of period	**1,346**	**1,215**

The projected benefit obligation is calculated at six-monthly intervals based on actuarial assumptions, including a discount rate of 0.78% (31 December 2020: 0.29%) and a 2.50%-rate of future salary increases (31 December 2020: 1.00%). Actuarial gains and losses are recognised in equity.

A 25-bps reduction in the discount rate at 31 December 2021 would lead to a €33.3 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 defined benefit obligations, no sensitivity analyses are presented.

X - 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 2021

	Plan no. 5	Plan no. 5	Plan no. 5
Date of shareholder authorisation	20 April 2018	20 April 2018	20 April 2018
Grant date (date of Board meeting)	15 Feb. 2019	6 Feb. 2020	11 Feb. 2021
Initial target number of shares	32,948	34,476	33,460
Initial expected vesting rate	100%	100%	100%
Initial number of shares expected to vest	32,948	34,476	33,460
Fair value per share	€54.00	€65.38	€54.59
Rights cancelled/forfeited	(452)	(468)	(340)
Expected vesting rate at end of period	200%	100%	100%
Number of shares expected to vest at end of period	**64,992**	**34,008**	**33,120**

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 2021, the rates applied were 200% for the 2019 plan (probable ranking: no. 1) and 100% for the 2020 and 2021 plans (probable ranking: no. 3).

In 2021, a total of 63,648 performance shares vested under 2018 Plan no. 5.

The cost of performance share plans recognised in 2021 amounted to €3,869 thousand (excluding specific employer contributions).

X - 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)	2021	2020
Short-term benefits, excluding payroll taxes(1)	2,730	2,653
Payroll taxes on short-term benefits	2,093	1,862
Share-based payments(2)	1,754	2,117
Directors' fees	800	693
Total	**7,377**	**7,325**

(1) Gross salary and other remuneration, bonuses, statutory and discretionary profit-sharing, matching Company payments and termination benefits paid during the period.
(2) Cost recognised in the income statement for stock options and employee rights issues.

XI - Income Taxes

XI - 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 current and deferred taxes are recognised is therefore limited.

Current income tax expense for 2021 amounted to €3,851 thousand (2020: €2,757 thousand) and mainly concerned the Parholding tax group.

XI - 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 period 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 period-end is used, i.e., 26.5%.

(in thousands of euros)	31 Dec. 2020	Reclassifications	Equity	Income statement	31 Dec. 2021
Fair value adjustments to investment property	(183,442)	–	–	8,365	(175,078)
Adjustment of depreciation	(28,895)	–	–	(1,606)	(30,502)
Adjustment of rental income	(3,182)	–	–	(157)	(3,339)
Capitalisation of interest expense and transaction costs	(521)	–	–	–	(521)
Other	(1,224)	–	–	(1)	(1,225)
Net	**(217,266)**	–	–	**6,601**	**(210,666)**
Of which deferred tax assets	–	–	–	–	–
Of which deferred tax liabilities	(217,266)	–	–	6,601	(210,666)

XI - 3) Consolidated tax proof

(in thousands of euros)	31 Dec. 2021	31 Dec. 2020
Profit after income tax	362,046	296,351
Income tax benefit/(expense)	2,750	1,548
Profit/(loss) before income tax	359,296	294,804
Corporate income tax rate applicable in France	**27.37%**	**28.92%**
Theoretical income tax expense	(98,356)	(85,269)
Impact of differences in tax rates	(467)	(689)
Impact of permanent differences	(2,064)	(1,670)
Impact of unrecognised tax losses	(940)	(942)
Impact of unrecognised deferred tax assets	(1,456)	5
Effects of tax credits	49	361
Effects of the SIIC regime	105,980	89,751
Other	4	1
Actual income tax benefit/(expense)	**2,750**	**1,548**
Effective tax rate	-0.77%	-0.52%

Income tax expense is reconciled to book profit using the tax rate of the country where the parent company is located, i.e., France.

The impact of differences in tax rates results from the recognition during the period of deferred taxes determined at tax rates that are different from the current rate.

Unrecognised deferred tax assets arise from deductible temporary differences for which the recovery of the associated tax benefit is not considered probable.

SIICs are flow-through entities and are exempt from corporate income tax.

XII - Off-Balance Sheet Commitments

XII - 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)	115,613	16,549	76,411	22,653
Guarantees received from suppliers	46,407	46,407	–	–
Total commitments received	**162,020**	**62,956**	**76,411**	**22,653**

Contractual redevelopment and renovation obligations

At 31 December 2021, the Group's contractual commitments relating to investment property undergoing renovation totalled €98,356 thousand (€128,951 thousand at 31 December 2020), of which €72,455 thousand concerned the Biome and Louvre Saint-Honoré properties.

XII - 2) Off-balance sheet financing commitments

At 31 December 2021, off-balance sheet financing commitments only concerned unused confirmed credit lines. They can be broken down as follows:

(in thousands of euros)	Total	Within 1 year	In 1 to 5 years	Beyond 5 years
BECM	150,000	–	150,000	–
Cadif	175,000	–	175,000	–
Société Générale	100,000	–	100,000	–
BNP Paribas 2019	390,000	–	390,000	–
Banque Postale	75,000	–	75,000	–
Intesa Sanpaolo	100,000	–	100,000	
BNP Paribas 2020	150,000	–	150,000	–
Total	**1,140,000**	–	**1,140,000**	–

XII - 3) Employee-related off-balance sheet 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 ownership structure of SFL or its controlling shareholder.

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 2021, total commitments for the payment of compensation amounted to €2,710 thousand (€2,699 thousand at 31 December 2020).

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.

XIII - Note to the Statement of Cash Flows

XIII - 1) Acquisitions of and improvements to investment properties and cash and cash equivalents

(in thousands of euros)	2021	2020
Acquisitions of and improvements to investment property		
Work	(129,378)	(132,182)
Total	**(129,378)**	**(132,182)**
Cash and cash equivalents at end of period		
Cash at bank and in hand	114,881	15,283
Bank overdrafts	–	(4,362)
Total	**114,881**	**10,921**

XIII - 2) Changes in net cash provided by (used by) financing activities

(in thousands of euros)	31 Dec. 2020	Cash flows			Non-cash changes			31 Dec. 2021
		Proceeds from new borrowings	Repayments of borrowings	Interest paid(1)	Deferred recognition of debt arranging fees	Fair value adjustments	Other(2)	
Borrowings (excluding accrued interest)	1,724,883	643,463	(596,780)	–	3,328	–	–	1,774,894
Accrued interest on borrowings	10,599	–	–	(510)	–	–	–	10,088
Money market securities	165,000	695,000	(743,000)	–	–	–	–	117,000
Derivative instruments (liabilities)	457	–	–	–	–	(457)	–	–
Current account liabilities (excluding accrued interest)	52,195	–	–	–	–	–	(52,195)	–
Bank overdrafts	4,353	–	(4,353)	–	–	–	–	–
Accrued interest on bank overdrafts	9	–	–	7	–	–	–	16
Total	**1,957,497**	1,338,463	(1,344,133)	(503)	3,328	(457)	**(52,195)**	**1,901,998**

(1) This amount represents the impact of the change in accrued interest reflected in paid interest and not the actual interest payments.
(2) This amount includes the dividends payable on the SFL shares held by Predica (€9,944 thousand) and the amount exchanged under the asset swap with the Group (see Note II - Significant Events of the Year).

XIV - Scope of Consolidation

The table below summarises the main information concerning the scope of consolidation at 31 December 2021:

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	100	100
SC Parchamps	410 233 498	100	100
SC Pargal	428 113 989	100	100
SC Parhaus	405 052 168	100	100
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	51	51
SCI Paul Cézanne	438 339 327	51	51
SCI Washington	432 513 299	100	100
SNC Condorcet Holding	808 013 890	100	100
SNC Condorcet Propco	537 505 414	100	100
SAS Cloud	899 379 390	51	51
SAS 92 Champs-Élysées	899 324 255	51	51

Four companies are 51%-owned by SFL. A shareholders' pact gives SFL de facto control over these companies (through its ability to control the decisions that have the greatest impact on the yield generated by these investments). The four companies are therefore considered as being controlled exclusively by SFL.

As a result of the control exercised by the Group over all of its investments, all of the companies are fully consolidated.

Société Foncière Lyonnaise is a fully consolidated subsidiary of Spanish company Inmobiliaria Colonial SOCIMI, SA, which owned 98.3% of the capital at 31 December 2021. 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 2021

Balance Sheet

ASSETS

(in thousands of euros)	Notes Part C-IV	Total	Depreciation, amortisation and provisions	31 Dec. 2021 Net	31 Dec. 2020 Net
NON-CURRENT ASSETS					
Intangible assets	**A-1.1**				
Software		9,051	7,217	1,834	658
Lease premiums and goodwill(1)		–	–	–	–
Other		1,166	786	380	563
Intangible assets in progress		–	–	–	–
Property and equipment	**A-1.2**				
Land		561,754	2,767	558,987	708,271
Buildings		575,969	237,328	338,641	588,776
Other		5,669	4,085	1,584	1,636
Assets under construction		354,645	–	354,645	372,815
Prepayments to suppliers of property and equipment		–	–	–	26,832
Non-current financial assets(2)	**A-1.3**				
Shares in subsidiaries and affiliates		1,507,237	2,450	1,504,787	391,505
Advances to subsidiaries and affiliates		25,969	–	25,969	35,520
Other long-term investments		–	–	–	–
Loans		–	–	–	–
Other		421	–	421	422
Total I		**3,041,881**	**254,633**	**2,787,248**	**2,126,998**
CURRENT ASSETS					
Receivables(3)	**A-2**				
Prepayments to suppliers		59	–	59	29
Rental receivables		5,659	754	4,905	3,016
Other		561,029	1,084	559,945	456,944
Current financial assets	**A-3**				
Treasury shares		6,942	–	6,942	10,780
Other marketable securities		–	–	–	–
Treasury instruments		–	–	–	–
Cash at bank and in hand	A-4	22,883	–	22,883	2,298
Prepaid expenses(3)		171	–	171	170
Total II		**596,743**	**1,838**	**594,905**	**473,237**
Deferred debt issuance costs **(III)**	A-5	7,299	–	7,299	6,374
Debt redemption premiums **(IV)**	A-6	7,408	–	7,408	4,611
Conversion losses **(V)**		–	–	–	–
Total assets (I to V)		**3,653,331**	**256,471**	**3,396,860**	**2,611,220**
(1) Of which lease premiums				–	–
(2) Of which due within one year (gross)				*25,969*	*35,520*
(3) Of which due beyond one year (gross)				–	*449,740*

EQUITY AND LIABILITIES

(in thousands of euros)	Notes Part C–IV	31 Dec. 2021	31 Dec. 2020
EQUITY			
Share capital		85,729	93,058
Share premium account		160,003	560,380
Revaluation reserve		21,439	21,439
Other reserves			
Legal reserve		9,306	9,306
Statutory reserves		–	–
Untaxed reserves		–	–
Other		–	–
Retained earnings		235	1,263
Profit for the year		1,093,151	42,992
Capital and reserves		**1,369,863**	**728,438**
Government grants		–	–
Untaxed provisions		23,509	24,453
Total I	**A-7.1**	**1,393,372**	**752,891**
Participating securities		–	–
Total Ia		–	–
Provisions for contingencies and charges	A-7.3	7,997	6,811
Total II		**7,997**	**6,811**
LIABILITIES(1)(2)			
Convertible bonds		–	–
Other bonds		1,799,688	1,549,357
Bank borrowings(3)		7	4,362
Other borrowings		129,524	236,730
Prepaid property rentals		16,656	10,366
Trade payables		5,364	11,028
Accrued taxes and payroll costs		12,171	10,991
Due to suppliers of property and equipment		28,021	24,164
Other liabilities		4,060	4,176
Deferred income		–	344
Total III	**A-8**	**1,995,491**	**1,851,518**
Total equity and liabilities (I to IV)		**3,396,860**	**2,611,220**
(1) Of which due beyond one year		1,509,267	*1,359,707*
(2) Of which due within one year		*486,224*	*491,811*
(3) Of which short-term bank loans and overdrafts		*7*	4,362

Profit and Loss Account

(in thousands of euros)	Notes Part C-IV	2021	2020
OPERATING INCOME			
Property rentals		86,226	99,639
Service revenue		1,961	1,869
Total revenue	**B-1**	**88,187**	**101,508**
Own-work capitalised		861	1,574
Reversals of depreciation, amortisation and provisions, and expense transfers	B-2	27,980	30,364
Other income		2,256	2,733
Total I		**119,284**	**136,179**
OPERATING EXPENSES			
Other purchases and external charges	B-3	24,827	28,436
Taxes other than on income	B-4	9,229	11,407
Payroll costs	B-5		
Wages and salaries		12,923	12,379
Payroll taxes and other employee benefits expenses		4,566	3,965
Depreciation, amortisation and provision expense			
Depreciation and amortisation expense		28,152	37,796
Impairment losses on current assets		1,424	351
Provision expense		6,002	4,746
Other expenses		4,464	745
Total II		**91,587**	**99,825**
OPERATING PROFIT (I - II)		**27,697**	**36,354**
FINANCIAL INCOME			
From investments in subsidiaries and affiliates		31,991	41,956
Other interest income		3,434	528
Reversals of provisions and impairment losses, and expense transfers		6,058	5,477
Total III	**B-7**	**41,483**	**47,961**
FINANCIAL EXPENSES			
Depreciation, amortisation, impairment losses and other provision expense		1,073	3,373
Interest expense		28,287	34,671
Total IV	**B-7**	**29,360**	**38,044**
NET FINANCIAL INCOME (III - IV)		**12,123**	**9,917**
PROFIT BEFORE TAX AND OTHER INCOME AND EXPENSE (I - II + III - IV)		**39,820**	**46,271**
OTHER INCOME			
From revenue transactions		20	221
From capital transactions		2,379,530	845
Reversals of provisions and impairment losses, and expense transfers		2,794	421
Total V		**2,382,344**	**1,487**
OTHER EXPENSES			
On revenue transactions		421	536
On capital transactions		1,321,221	2,673
Amortisation, impairment losses and other provision expense		1,570	1,777
Total VI		**1,323,212**	**4,986**
OTHER INCOME/(EXPENSE), NET (V - VI)	**B-8**	**1,059,132**	**(3,499)**
Employee profit-sharing (IX)		5,850	141
Income tax expense (X)	B-9	(49)	(361)
Total income (I + III + V)		**2,543,111**	**185,627**
Total expenses (II + IV + VI + IX + X)		**1,449,960**	**142,635**
Profit for the year		**1,093,151**	**42,992**

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 2021.

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.

They are amortised by the straight-line method over their estimated useful life.

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.

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 carrying amount (deemed value in use) of the Company's property assets cannot be greater than their appraisal value. For this reason, the properties are valued by independent valuers at six-monthly intervals and their appraisal value is compared with their period-end carrying amount. The comparison is based on appraisal values excluding transfer costs.

An impairment provision is recognised for each property whose carrying amount is greater than its appraisal value excluding transfer costs. 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.

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 2021 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.

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 corresponds to the investment's fair value to the Company and takes into account unrealised capital gains on the subsidiary's property assets, as determined based on the independent valuations performed at each year end by the method described in paragraph b) 2- above.

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.

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) Debt issuance costs and redemption premiums

Bond issuance costs, bank loan arranging fees and bond redemption premiums are recognised under deferred charges in assets, and amortised to the profit and loss account on a straight-line basis over the term of the loans to which they relate.

g) Financial instruments

SFL uses financial instruments such as swaps to manage interest rate risk.

The instruments used may consist of interest rate swaps, caps or floors.

Premiums paid when the contracts are signed are recorded under financial instruments on the assets side of the balance sheet and amortised to the profit and loss account over the life of the contracts.

Interest income or expense is recognised in the profit and loss account by the accruals method.

Interest rate differentials on swaps are recognised in financial income or expense over the life of the instruments.

h) Operating income and expenses

Operating income consists mainly of rental income and property expenses recovered from tenants.

Rent and property expenses are invoiced to tenants on a cash basis in accordance with the terms of the lease.

The effect of rent step-up clauses and rent-free periods included in leases in line with market conditions prevailing when the lease is signed is not deferred but is recognised immediately in profit or loss (method adopted by SFL).

Expense transfers correspond mainly to property expenses billed to tenants (including property tax and office tax), and expenses included in the cost of properties undergoing redevelopment.

Lease termination penalties correspond to penalties charged to tenants for terminating their lease before the contractual expiry date. They are recognised in revenue for the period in which they are billed.

Key money paid by tenants is recognised over the non-cancellable lease term.

Marketing, re-marketing and lease renewal costs are recognised as expenses for the year in which they are incurred.

i) Income tax

Since 1 January 2003, SFL has elected to be taxed as an SIIC.

Under the SIIC regime:
- the operating profit and capital gains of businesses eligible for the SIIC regime are exempt from corporate income tax,
- the activities that are not eligible for this regime are liable for corporate income tax.

j) Financial income and expense

Balancing payments received or paid on early repayment of loans are reported under other financial income or expenses.

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 redevelopment cost of property assets.

II - Significant Events of the Year

A - Significant events

1) Property Transactions

The two main redevelopment projects in progress as of 31 December 2021 concerned:
– Retail space in the Louvre Saint-Honoré building, which is scheduled for delivery in late 2023 under a turnkey lease on over 20,000 sq.m. During 2021, site clearance and asbestos removal work continued and general contracting work began.
– The Biome office complex on avenue Émile Zola (approximately 24,000 sq.m.). Redevelopment work continued during the period, with the building scheduled for delivery in 2022.

Full renovation of the building at 83 avenue Marceau (approximately 9,000 sq.m.) was completed in 2021 and the building was delivered in the second half. This property is now fully let.

Disposal of the 112 Wagram and 9 Percier properties was completed in early 2021. The disposal processes were launched in 2020 under the Group's asset rotation policy. These two properties were sold in January and February 2021 at a net sale price of €120.5 million and €143.5 million, respectively.

In 2021, the Company signed leases on approximately 25,000 sq.m. of mainly office space, primarily in the #cloud.paris, Édouard VII and Neuilly properties.

No properties were acquired in 2021.

2) Financing activities

The main financing activities carried out in 2021 were as follows:
– The outstanding 1.875% 2014 bonds were redeemed at maturity in November 2021, for €250 million.
– The Group raised €500 million through the issue of 6.5-year 0.50% bonds due 21 April 2028.
– A new €100 million five-year revolving line of credit was obtained from Banca Intesa Sanpaolo (Paris branch).

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.

3) Impacts of the Covid-19 health crisis

During the year, SFL continued to apply the measures deployed in 2020 to limit the pandemic's effects on its business and results.

The rent collection rate was very satisfactory throughout the year. Past-due rents were reviewed on a case-by-case basis to determine whether a provision was needed. Very few new support measures were granted to tenants during the year.

The rental market had slowed since the onset of the Covid-19 crisis, but it picked up in the second half of 2021 and leases were signed by SFL on several significant units.

The Covid-19 crisis had little impact on appraisal values at 31 December 2021. In particular, SFL's office properties demonstrated a certain resilience during the crisis. However, valuation assumptions for retail units had to be adjusted to take into account investor aversion to this asset class and uncertainty about the level of turnover-based rents.

4) Transaction involving SFL shares and changes in the partnership with Predica

On 3 June 2021, Colonial – SFL's majority shareholder – announced a proposed two-step transaction:

– A simplified cash and paper offer for the SFL shares not already held by Colonial and Predica. Details of the offer were submitted to France's securities regulator, *Autorité des Marchés Financiers* (AMF), on 16 June 2021 and the offer was given the go-ahead by the AMF on 20 July 2021. At the end of the offer period, which ran from 22 July 2021 to 25 August 2021 inclusive, Colonial held 98.3% of the share capital of SFL.

– The second concerns a change in the existing partnership between SFL and Predica to consolidate their long-term relationship. This second step involved the buyback and cancellation by SFL of some of the SFL shares held by Predica (representing 7.86% of the capital), and an asset swap whereby SFL acquired Predica's interest in Washington Plaza, 106 Haussmann, Galerie des Champs-Elysées and 90 Champs-Elysées properties and Predica acquired interests (49%) in the #cloud.paris, Cézanne Saint-Honoré, 92 Champs-Elysées and 103 Grenelle properties from SFL. Prior to this transaction, the #cloud.paris and 92 Champs-Élysées buildings were contributed by SFL to its subsidiaries.

Predica then swapped its remaining 5% interest in SFL's capital for Colonial shares. The transactions were completed on 4 August 2021.

B – Subsequent events

None.

III - Effects of Climate Change

Climate change is bringing about profound changes in the economy, which is why increasing attention needs to be paid to its effects on companies' financial and non-financial performance. To address the major challenges associated with these changes, very ambitious objectives have been set in the European Green Deal, the Glasgow Climate Pact (COP26) and the Paris Agreement (COP21). Meeting these objectives will involve radical transformations.

The purpose of this note is to present the impact of these changes on the Company's business and performance, as well as the main impacts on the financial statements.

1) Effects of climate change on the Company's financial position

The construction industry accounts for nearly one quarter of all greenhouse gas emissions in France. For this reason, the Company has developed a strategy to monitor the risks and impacts of climate change, supported by measures to address them.

The main effects of changing weather conditions on the financial statements have been identified. These effects cannot be measured with perfect accuracy, as it is difficult to separate them from other factors that influence developments over the reporting period. However, the main effects on the Group's financial information can be summarised as follows:

– The impact on appraisal values should be positive. The Company's buildings are recognised as being of a high environmental quality (as evidenced by the certifications they have received) and the appraisers have therefore included an 18% average premium in their estimates of market rents and capitalisation rates.

– Capital expenditure and building operating costs are likely to increase to cover the cost of work needed to anticipate changes in industry regulations and strengthen customer loyalty. For example, it will be necessary to install LED lighting, more efficient heating systems, and digital technical systems to track energy use more accurately.

– Various other expenditures will be necessary, such as environmental certification costs (mainly Building Research Establishment Environmental Assessment Method (BREEAM), Global Real Estate Sustainability Benchmark (GRESB), and European Public Real Estate Association (EPRA)), ESG data publication costs (data collection, preparation of reports, other internal and external resources), and the cost of bonuses paid to certain employees and/or members of the Management Committee for meeting ESG objectives.

2) Other potential effects on the financial statements

Other potential climate-related effects, none of which had an impact on the 2021 financial statements, include:

– Risks related to financial instruments: at the reporting date, the Company did not have any financing instruments indexed to CSR performance indicators, for which the interest rate would vary based on ESG criteria. Consequently, taking into account the effects of climate change had no impact on SFL's financing structure. Since the beginning of 2022, the Company has started the process of converting its bond debt into green bonds.

– Environmental levies: the Company's investment choices have ensured that it is in compliance with climate-related regulations. As a result, the Company has not received any penalties for non-compliance. A regulatory watch system has been set up to anticipate changes in climate-related legal requirements and proactively initiate any necessary compliance measures. No impairment losses were recorded for environmental risks in 2021.

IV – Notes to the Financial Statements

A - Notes to the Balance Sheet

A - 1) Non-current assets

A - 1.1) Intangible assets

(in thousands of euros)	31 Dec. 2020	Additions	Disposals	Reclassifications	31 Dec. 2021
Software	7,380	–	–	1,671	9,051
Other	—	–	–	–	–
Intangible assets in progress	1,349	644	–	(827)	1,166
Total	**8,729**	**644**	–	844	**10,217**

Software includes both software licences and internally-developed software.

The change in accumulated amortisation can be analysed as follows:

(in thousands of euros)	31 Dec. 2020	Amortisation and impairment for the year	Amortisation and impairment written off on disposals and other	31 Dec. 2021
Software	6,722	495	–	7,217
Intangible assets in progress	786	–	–	786
Total	**7,508**	**495**	–	**8,003**

A - 1.2) Property and equipment

(in thousands of euros)	31 Dec. 2020	Additions	Disposals	Reclassifications	31 Dec. 2021
Land	710,136	–	216,378	67,996	561,754
Buildings	439,063	–	196,853	37,018	279,228
Fixtures and fittings	457,440	–	192,537	31,838	296,741
Furniture and equipment	5,318	–	–	351	5,669
Assets under construction	372,815	122,311	2,434	(138,047)	354,645
Prepayments to suppliers of property and equipment	26,832	–	26,832	–	–
Total	**2,011,604**	**122,311**	**635,034**	(844)	**1,498,037**

Disposals for the year mainly reflect the sale of the 112 Wagram and 9 Percier properties, and the transfer of two other properties to subsidiaries (SAS Cloud and SAS 92 Champs-Élysées) as part of the change in the partnership between SFL and Predica.

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. The reclassification of €138,047 thousand to property, plant and equipment mainly concerns the 83 Marceau property.

Redevelopment work on the building was completed during the year and the property was delivered on 18 November 2021.

The change in accumulated depreciation can be analysed as follows:

(in thousands of euros)	31 Dec. 2020	Depreciation and impairment for the year	Depreciation and impairment written off on disposals and other	Reclassifications	31 Dec. 2021
Buildings	69,102	5,905	26,486	–	48,521
Fixtures and fittings	238,625	18,705	68,523	–	188,807
Furniture and equipment	3,682	403	–	–	4,085
Total	**311,409**	**25,013**	**95,009**	–	**241,413**

Impairment losses concern the following properties:

(in thousands of euros)	31 Dec. 2020	Additions	Decreases	31 Dec. 2021
Le Vaisseau	1,865	902	–	2,767
Total	**1,865**	**902**	–	**2,767**

Impairment losses recorded on buildings are adjusted 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 2021 (in millions of euros, on a 100% basis)	Inputs	Range of values[1]	Weighted average[1]
Paris Central Business District	2,462	Market rents Exit yield Discount rate	€630 - €940 2.60 - 3.11% 3.70 - 4.10%	€805 2.94% 3.84%
Other Paris	548	Market rents Exit yield Discount rate	€548 - €612 3.00 - 3.25% 5.00 - 5.50%	€585 3.14% 5.21%
Western Crescent	116	Market rents Exit yield Discount rate	€310 - €535 3.41 - 5.00% 4.35 - 6.10%	€479 3.80% 4.78%
Total	**3,127**			

(1) Offices.

A - 1.3) Non-current financial assets

(in thousands of euros)	31 Dec. 2020	Increases	Decreases	31 Dec. 2021
Shares in subsidiaries and affiliates	393,955	1,882,142	768,860	1,507,237
Advances to subsidiaries and affiliates	35,520	25,969	35,520	25,969
Deposits	422	–	1	421
Total	**429,897**	**1,908,112**	**804,381**	**1,533,627**

Changes in impairment provisions can be analysed as follows:

(in thousands of euros)	31 Dec. 2020	Increases	Decreases	31 Dec. 2021
Shares in subsidiaries and affiliates	2,450	–	–	2,450
Total	**2,450**	–	–	**2,450**

The impairment provision in the amount of €2,450 thousand concerned SAS Maud, which is wholly-owned by the Company.

List of subsidiaries and affiliates

Subsidiaries and affiliates (in € thousands)	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	110,170	51%	148,842	148,842	–	–	12,341	6,088	–	–
SCI 103 Grenelle	0	167,905	51%	81,861	81,861	–	–	7,867	4,077	–	–
SCI Washington	94,872	19,134	100%	330,533	330,533	163,460	–	22,014	12,152	–	–
SAS Maud	1,480	(2,564)	100%	2,450	0	2,501	–	3,864	101	–	–
SAS 92 Champs-Elysées	101,971	304,426	51%	206,929	206,929	–	–	3,478	655	–	–
SAS Cloud	178,195	534,629	51%	362,609	362,609	–	–	8,997	1,966	–	–
SAS Parholding	15,000	15,972	100%	373,713	373,713	187,461	–	–	7,460	4,242	–
2. Affiliates (10-50%-owned)											
B – Aggregate information about investments not listed in A above:											
Subsidiaries (at least 50%-owned)	–	–	–	300	300	188,675	–	–	9,243	1779	–
Affiliates (less than 50%-owned)	–	–	–	–	–	–	–	–	–	–	–

In an asset swap with Predica, SFL acquired Predica's interest in Washington Plaza and SAS Parholding (shares and receivables) and sold 49% of its non-controlling interests in SAS Cloud, SAS 92 Champs-Élysées, SCI Paul Cézanne and SCI 103 Grenelle to Predica (see Note II.4 - Significant events of the year).

A - 2) Receivables

Receivables can be analysed as follows by maturity:

(in thousands of euros)	Total	*o/w accrued income*	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years
Prepayments to suppliers	59		59	–	–
Trade receivables	5,659	*717*	5,659	–	–
Other					
. Employee advances	6		6	–	–
. Prepaid and recoverable taxes	16,168		16,168	–	–
. Current account advances	542,098	*530*	542,098	–	–
. Miscellaneous receivables	2,757		2,757	–	–
Prepaid expenses	171		171	–	–

"Current account advances" include dividends receivable from subsidiaries.

Provisions for impairment of receivables (in thousands of euros)	31 Dec. 2020	Increases	Decreases	31 Dec. 2021
Rental receivables	463	340	49	754
SAS Maud current account	–	1,084	–	1,084
Total	**463**	**1,424**	**49**	**1,838**

A - 3) Current financial assets

Marketable securities consist exclusively of treasury shares.

The carrying amount of treasury shares held by SFL at 31 December 2021 was €6,942 thousand.

Changes in treasury shares can be analysed as follows:

Treasury shares	31 Dec. 2020	Increases	Decreases	31 Dec. 2021
Number of shares	175,818	11,648	73,303	114,163
Average purchase/sale price	€61.32	€69.74	€63.45	€60.81
Total	**10,780**	**812**	**4,651**	**6,942**

Treasury shares allocated to performance share plans concern SFL Group companies and are carried at cost.

(in thousands of euros)	Number of shares	Cost	Provisions	Net	Market value	Gross gain or loss
Shares allocated to share-based payment plans						
2019 performance share plan	32,496	2,093	n.a.	2,093		
2020 performance share plan	34,008	2,652	n.a.	2,652		
Sub-total	**66,504**	**4,745**	–	**4,745**		
Available treasury shares						
Shares held for future stock-for-stock acquisitions	22,008	1,305	–	1,305	1,734	429
Shares held for external growth transactions	23,283	705	–	705	1,835	1,130
Shares held under the liquidity contract	2,368	187	–	187	187	–
Sub-total	**47,659**	**2,197**	–	**2,197**		
Total	**114,163**	**6,942**	–	**6,942**		

Performance share 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.

The expected vesting rate is adjusted to reflect SFL's most probable ranking at the end of the vesting period.

At 31 December 2021, the rates applied were 200% for the 2019 plan (probable ranking: no. 1) and 100% for the 2020 and 2021 plans (probable ranking: no. 3).

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 (date of Board meeting)	15 Feb. 2019	6 Feb. 2020	11 Feb. 2021
End of vesting period	31 Dec. 2021	31 Dec. 2022	31 Dec. 2023
Initial expected vesting rate	100.00%	100.00%	100.00%
Target number of shares	31,636	33,164	31,948
Value per share	€64.40	€78.00	€78.20
SFL share price at 31 December 2021	€78.20	€78.20	€78.20

(number)		Plan no. 5	
Number of shares expected to vest at beginning of the year	**31,296**	**33,036**	–
Performance share rights granted during the year	31,240	–	31,948
Performance share rights cancelled during the year (departures/vesting conditions not met)	(56)	(284)	(284)
Expected vesting rate at 31 December 2021	200.00%	100.00%	100.00%
Number of shares expected to vest at 31 December 2021	**62,480**	**32,752**	**31,664**

A - 4) Cash at bank and in hand

(in thousands of euros)	31 Dec. 2021	31 Dec. 2020
Cash at bank and in hand	22,883	2,298
Total	**22,883**	**2,298**

A - 5) Deferred charges

(in thousands of euros)	Amortisation period	Total	Accumulated amortisation at 31 Dec. 2020	Amortisation for the year	Accumulated amortisation at 31 Dec. 2021	Net
2014 bonds	7 years	2,465	2,304	161	2,465	–
2015 bonds	7 years	2,407	2,034	199	2,233	174
2018 bonds	7 years	1,946	718	278	996	950
2020 bonds	7 years	2,277	190	325	515	1,762
2021 bonds	6.5 years	2,275	–	58	58	2,217
2017 Crédit Agricole loan	6 years	320	189	53	242	78
2017 Crédit Agricole loan, addendum 1	5.5 years	230	127	42	169	61
2017 Banque Postale loan	7 years	263	131	38	169	94
2018 BECM loan	5 years	525	254	105	359	166
2018 Société Générale loan	5 years	450	145	63	208	242
2019 BNP Paribas loan	5 years	1,478	443	296	739	739
2020 BNP Paribas loan	7 years	620	72	124	196	424
2021 Intesa Sanpaolo 2021	5 years	392	–	–	–	392
Total		**15,648**	**6,607**	**1,742**	**8,349**	**7,299**

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 - 6) Redemption premiums

(in thousands of euros)	Amortisation period	Total	Amortisation for the year	Accumulated amortisation	Net
2014 bonds	7 years	615	40	615	–
2015 bonds	7 years	735	61	682	53
2018 bonds	7 years	4,005	572	2,050	1,955
2020 bonds	7 years	2,105	301	476	1,629
2021 bonds	6.5 years	3,870	99	99	3,771
Total		**11,330**	**1,073**	**3,922**	**7,408**

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 - 7) Equity

A - 7.1) Changes in equity

A.	
1. Equity at 31 December 2020 before appropriation of profit for the year	752,891
2. 2020 dividend decided by the Ordinary and Extraordinary General Meeting of 15 April 2021	(97,476)
B. Contributions received with retroactive effect to the beginning of the reporting period	**0**
C. Equity at 1 January 2021	**752,891**
D. Movements for the year:	
1. Reduction in capital	(7,329)
2. Changes in share premium account, reserves, retained earnings	(444,397)
3. Changes in untaxed reserves	0
4. Changes in revaluation reserve	0
5. Changes in untaxed provisions and government grants	(944)
6. Other movements	0
E. Equity at 31 December 2021 before appropriation of profit for the year	**1,093,151**
F. CHANGE IN EQUITY DURING THE YEAR (E-C)	**1,393,372**
G. of which: changes due to changes in structure during the year	**(2,514)**
H. CHANGE IN EQUITY DURING THE YEAR EXCLUDING CHANGES IN STRUCTURE	**642,995**

At 31 December 2021, the Company's share capital comprised 42,864,715 ordinary shares with a par value of €2. The number of voting rights at that date was 42,752,920.

Changes in the partnership between SFL and Predica led to the purchase and subsequent cancellation of 3,664,259 shares, which resulted in a €7,329 thousand reduction in capital and a €346,922 thousand reduction in the share premium account (see Note II.4 – Significant events of the year).

Société Foncière Lyonnaise is a subsidiary of Spanish company Inmobiliaria Colonial SA, which owned 98.33% of the capital at 31 December 2021.

Untaxed provisions correspond exclusively to accelerated capital allowances, representing excess tax depreciation calculated on the residual value of certain properties.

(in thousands of euros)	31 Dec. 2020	Increases	Disposals	31 Dec. 2021
Excess tax depreciation	24,453	1,570	2,514	23,509
Total	**24,453**	**1,570**	**2,514**	**23,509**

A – 7.2) Dividends

(in thousands of euros)	2021		2020	
	Paid	Per share	Paid	Per share
Dividend paid in the reporting year	97,476	€2.10	122,828	€2.65
Total	**97,476**	**€2.10**	**122,828**	**€2.65**

A - 7.3) Provisions for contingencies and charges

(in thousands of euros)	31 Dec. 2020	Increases	Decreases	31 Dec. 2021
Provisions for property-related contingencies and tenant claims	276	–	276	–
Provisions for employee benefits	6,535	6,002	4,540	7,997
Total	**6,811**	**6,002**	**4,816**	**7,997**

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 employee benefits include performance share plan costs deferred over three years from the grant date. Delivery of shares awarded under the 2018 plan led to the reversal of €4,540 thousand from the provision (excluding the specific employer contribution).

A - 8) Liabilities

Liabilities can be analysed as follows by maturity:

(in thousands of euros)	Total	*o/w accrued expenses*	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years
Bonds	1,799,688	*10,088*	299,688	500,000	1,000,000
Bank borrowings	7	*7*	*7*	–	–
Other borrowings and financial liabilities					–
. Tenant deposits	11,730	–	2,463	1,984	7,283
. Negotiable European commercial paper (NEU CP)	117,000	–	117,000	–	–
. Current account advances	794	–	794	–	–
Prepaid property rentals	16,656	–	16,656	–	–
Trade payables	5,364	*4,994*	5,364	–	–
Accrued payroll costs	11,976	*11,471*	11,976	–	–
Accrued taxes	195	10	195	–	–
Due to suppliers of property	28,021	*23,066*	28,021	–	–
Other liabilities	4,060	222	4,060	–	–
Total	**1,995,491**	***49,858***	**486,224**	**501,984**	**1,007,283**

Prepaid property rentals correspond to rent and property expenses for the first quarter of 2022 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 avenue Marceau buildings.

Accrued employee benefits expense includes statutory and discretionary profit-sharing and bonus accruals.

Changes in borrowings (in thousands of euros)	31 Dec. 2021	31 Dec. 2020	Year-on-year change
2014 bonds	–	250,162	(250,162)
2015 bonds	290,421	290,421	–
2018 bonds	504,459	504,459	–
2020 bonds	504,315	504,315	–
2021 bonds	500,493	–	500,493
Bank overdrafts	7	4,362	(4,355)
Negotiable European commercial paper (NEU CP)	117,000	165,000	(48,000)
Total	**1,916,695**	**1,718,719**	**197,976**

B - Notes to the Profit and Loss Account

B - 1) Net revenue

(in thousands of euros)	2021	2020
Property rentals	84,612	97,794
Property and facility management fees	1,614	1,845
Sub-total	**86,226**	**99,639**
Payments received for seconded employees	1,801	1,726
Other service revenue	160	143
Sub-total	**1,961**	**1,869**
Total	**88,187**	**101,508**

The Company reported revenue of €88.2 million in 2021 compared with €101.5 million in 2020. The decrease of €13.3 million (down 13.1%) was mainly due to the sale of the 112 Wagram and 9 Percier properties, and the transfer of two other properties to subsidiaries (SAS Cloud and SAS 92 Champs-Élysées).

B - 2) Reversals of provisions and impairment losses, and expense transfers

(in thousands of euros)	2021	2020
Reversals of provisions for doubtful receivables	49	418
Reversals of provisions for contingencies and charges	4,540	3,349
Sub-total	**4,589**	**3,767**
Costs and taxes recovered from tenants	15,005	18,258
Other expense transfers	8,386	8,339
Sub-total	**23,391**	**26,597**
Total	**27,980**	**30,364**

B - 3) Other purchases and external charges

(in thousands of euros)	2021	2020
Reinvoiced costs	9,423	10,613
Other purchased services and expenses	15,404	17,823
Total	**24,827**	**28,436**

B - 4) Taxes other than on income

(in thousands of euros)	2021	2020
Recoverable taxes	5,894	7,582
Other taxes	3,335	3,825
Total	**9,229**	**11,407**

B - 5) Payroll costs

(in thousands of euros)	Administrative staff	Building staff	2021 total	2020 total
Wages and salaries				
Wages and salaries	12,855	68	12,923	12,379
Sub-total	**12,855**	**68**	**12,923**	**12,379**
Payroll taxes and other employee benefits expenses				
Social security taxes and disability/health insurance premiums	3,931	63	3,994	3,425
Other employee benefits expenses	564	8	572	540
Sub-total	**4,495**	**71**	**4,566**	**3,965**
Total	**17,350**	**139**	**17,489**	**16,344**

The remuneration awarded to senior management (including bonuses, benefits in kind, corporate savings plan rights, termination benefits, etc.) amounted to €3,321 thousand in 2021.

Directors' fees for the year awarded to the members of the Board of Directors represented a total of €800 thousand in 2021.

B - 6) Number of employees

(number)	2021	2020
Building caretakers	2	2
Administrative staff	–	1
Supervisors	7	6
Managers	51	53
Total	**60**	**62**

B - 7) Net financial expense

(in thousands of euros)	2021	2020
Dividends from SAS Parholding	4,242	5,756
Dividends from SA Segpim	1,779	679
Revenue from SCI Paul Cézanne	3,105	15,014
Revenue from SNC Condorcet Holding	8,634	8,372
Revenue from SCI Washington	12,152	11,068
Revenue from SCI 103 Grenelle	2,079	1,067
Sub-total	**31,991**	**41,956**
Interest income from current account advances to subsidiaries	905	516
Other financial income (a)	2,529	12
Sub-total	**3,434**	**528**
Capitalised interest expense (b)	6,058	5,477
Sub-total	**6,058**	**5,477**
Financial income	**41,483**	**47,961**
Change in provisions for bond redemption premiums	1,073	923
Impairment of shares in subsidiaries and affiliates	–	2,450
Sub-total	**1,073**	**3,373**
Interest expense on bonds and bank loans	25,125	25,413
Interest expense on current account advances from subsidiaries	69	151
Interest expense on bank overdrafts	102	13
Interest on negotiable European commercial paper (NEU CP)	(793)	(775)
Bank loan arranging fees	3,784	3,671
Expenses on financial instruments	–	274
Other financial expenses (c)	–	5,924
Sub-total	**28,287**	**34,671**
Financial expenses	**29,360**	**38,044**

(a) Unwinding of the two swaps in 2021 generated a gain of €2,521 thousand.
(b) Capitalised interest expense corresponds to interest capitalised during the redevelopment of the Louvre Saint-Honoré, Biome and 83 Marceau buildings.
(c) Other financial expenses for the previous year mainly correspond to balancing payments made on retirement of bond issues.

B - 8) Other income and expenses

(in thousands of euros)	2021	2020
Capital gains on disposals of assets (a)	144,681	–
Gain on exchanges and sales of properties and financial assets (b)	917,459	–
Value of shares allocated to holders of vested performance share rights	(3,837)	(1,817)
Capital gains and losses on share buybacks	6	(11)
Net reversals of depreciation, amortisation and untaxed provisions	944	(1,777)
Other operating income and expenses, net	(397)	106
Charges to provisions related to departing tenants, net of reversals	276	–
Total	**1,059,132**	**(3,499)**

(a) The net capital gain of €144,681 thousand was realised on the sale of the 112 Wagram and 9 Percier properties.
(b) On 4 August 2021, the changes in the partnership between SFL and Predica led to the recognition of a net gain of €917,459 thousand, as follows:
1. Buyback and subsequent cancellation of SFL shares representing 7.86% of the capital.
2. Asset swap involving the sale by Predica to SFL of its interest in the companies that own four buildings (Washington Plaza, 106 Haussmann, Galerie des Champs-Élysées and 90 Champs-Élysées) in exchange for 49% interests in four companies owned by SFL (#cloud.paris, Cézanne Saint-Honoré, 92 Champs-Élysées and 103 Grenelle).

B - 9) Income tax expense

(in thousands of euros)	2021	2020
Corporate income tax expense	(49)	(361)
Total	**(49)**	**(361)**

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				
Guarantees received from tenants	67,875	3,217	60,916	3,742
Guarantees received from suppliers	42,248	34,361	7,887	
Undrawn confirmed lines of credit				
BECM loan	150,000	–	150,000	–
Cadif loan	175,000	–	175,000	–
Société Générale loan	100,000	–	100,000	–
2019 BNP Paribas loan	390,000	–	390,000	–
Banque Postale loan	75,000	–	75,000	–
Intesa Sanpaolo loan	100,000	–	100,000	–
2020 BNP Paribas loan	150,000	–	150,000	–

Hedging portfolio

At 31 December 2021, derivatives held by the Company included:

– A 7-year collar set up with Société Générale (the option writer) on a notional amount of €100,000 thousand, with a -0.11% cap and a -0.60% floor. No premium was payable on this collar which came into effect on 4 September 2019 and was restructured in May 2021.

– A 5-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.

(in thousands of euros)	Notional amount	Maturity	31 Dec. 2021	31 Dec. 2020
CIC swap -0.375%	100,000	(1)	–	(457)
CA-CIB swap -0.4525%	100,000	(1)	–	76
Société Générale collar -0.11%/-0.60%	100,000	Sep. 2026	1,671	46
CIC collar -0.25%/-0.52%	100,000	Nov. 2027	2,453	165
Total			**4,124**	**(170)**

(1) Unwound in advance in 2021.

Contractual redevelopment and renovation obligations

At 31 December 2021, the Company's contractual commitments relating to investment property undergoing redevelopment or renovation totalled €78,224 thousand (€112,218 thousand at 31 December 2020), of which €72,455 thousand concerned the Louvre Saint-Honoré and Biome 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 €1,177 thousand at 31 December 2021.

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 0.78% and a 2.50% rate of future salary increases.

SFL's employee benefit plans are as follows:
– Length-of-service awards payable to employees on retirement: benefits payable under this plan are specified in a corporate agreement signed with employee representatives.
– Post-employment medical care: this plan concerns a closed group of retired SFL employees. Benefits consist of the payment by SFL of two-thirds of the contributions due to the insurance company responsible for reimbursing medical costs.
– Jubilees: the agreements in force within the Company provide for the payment of one month's salary to:

  • administrative staff who complete 20, 30, 35 and 40 years of service, and
  • building staff who complete 25 years of service.

Employees are not covered by any defined benefit pension plan and are not entitled to any other post-employment benefits. As SFL does not have any such defined benefit obligations, no sensitivity analyses are presented.

E - Consolidation

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 2021

Statutory Auditors' report on the consolidated financial statements

Year ended 31 December 2021

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 2021.

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 2021 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 2021 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.

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) and V-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 2021 is €7,496,094 thousand, representing an increase over the year of €255,177 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 verified the existence and quality of the processes implemented by management for the transmission of data to the independent valuers and the review of their appraisal values. 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. With the support of our property valuation specialists, we performed a critical review of the market inputs (exit yield, discount rate, market rental values) based on 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 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. We also performed more detailed work on the appraisal values of a sample of assets, with the assistance of our property valuation specialists. We assessed how the external valuers had reflected the Covid-19 impact, inflation risk and climate issues in their appraisal values. 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

In accordance with the professional standards applicable to the Statutory Auditors' procedures for annual and consolidated financial statements presented according to the European single electronic reporting format, we have verified that the presentation of the consolidated financial statements to be included in the annual financial report referred to in paragraph I of Article L.451-1-2 of the French Monetary and Financial Code and prepared under the responsibility of the Chairman and Chief Executive Officer, complies with this format, as defined by European Delegated Regulation No. 2019/815 of 17 December 2018. As it relates to the consolidated financial statements, our work included verifying that the markups in the financial statements comply with the format defined by the aforementioned Regulation.

On the basis of our work, we conclude that the presentation of the consolidated financial statements to be included in the annual financial report complies, in all material respects, with the European single electronic reporting format.

It is not our responsibility to ensure that the financial statements to be included by the Company in the annual financial report filed with the AMF correspond to those on which we carried out our work.

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 2021, PricewaterhouseCoopers Audit and Deloitte & Associés were in the 27th and 17th 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, 24 February 2022
The Statutory Auditors

PricewaterhouseCoopers Audit
Laurent Daniel

Deloitte & Associés
Sylvain Durafour

Statutory Auditors' report on the Company financial statements

Year ended 31 December 2021

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 2021.

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 2021 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 2021 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.

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 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 IV - A-1.2) 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 2021 for an amount of €1,253,857 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 verified the existence and quality of the processes implemented by management for the transmission of data to the independent valuers and the review of their appraisal values. 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. With the support of our property valuation specialists, we performed a critical review of the market inputs (exit yield, discount rate, market rental values) based on 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 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. We also performed more detailed work on the appraisal values of a sample of assets, with the assistance of our property valuation specialists. We assessed how the external valuers had reflected the Covid-19 impact, inflation risk and climate issues in their appraisal values. 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.

Measurement and risk of impairment of shares in subsidiaries and affiliates

Notes I-c) 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 €1,504,787 thousand. Certain properties are owned by subsidiaries of the Company.	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.
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.	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.
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.	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.441-6 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 acquisitions of shares and the identity of the shareholders and holders of voting rights is 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

In accordance with the professional standards applicable to the Statutory Auditors' procedures for annual and consolidated financial statements presented according to the European single electronic reporting format, we have verified that the presentation of the Company financial statements to be included in the annual financial report referred to in paragraph I of Article L.451-1-2 of the French Monetary and Financial Code *(Code monétaire et financier)* and prepared under the responsibility of the Chairman and Chief Executive Officer, complies with this format, as defined by European Delegated Regulation No. 2019/815 of 17 December 2018.

On the basis of our work, we conclude that the presentation of the Company financial statements to be included in the annual financial report complies, in all material respects, with the European single electronic reporting format.

It is not our responsibility to ensure that the financial statements to be included by the Company in the annual financial report filed with the AMF correspond to those on which we carried out our work.

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 2021, PricewaterhouseCoopers Audit and Deloitte & Associés were in the 27th and 17th 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 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, 24 February 2022
The Statutory Auditors

PricewaterhouseCoopers Audit
Laurent Daniel

Deloitte & Associés
Sylvain Durafour

Statutory Auditors' report on related party agreements

Annual General Meeting held to approve the financial statements for the year ended 31 December 2021

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 2021 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 2021

In accordance with Article L.225-40 of the French Commercial Code (*Code de commerce*), we were advised of the following agreements entered into during the year that were authorised in advance by your Board of Directors.

Agreement entered into with Predica, a shareholder holding more than 10% of the capital of Société Foncière Lyonnaise (SFL) at the date of signature of the agreement

Authorised at the Board of Directors' meeting of 3 June 2021

Agreement signed on 3 June 2021

Persons concerned: Najat Aasqui and Jean-Jacques Duchamp, directors as of the date of signature of the agreement, elected on the recommendation of Predica

Nature and purpose of the agreement: Sale and Exchange Agreement

This agreement specifies the terms and conditions of asset swaps, subject to conditions precedent, (i) between SFL and Predica and (ii) between SFL and the OPCI Predica Bureaux fund to be created by Predica. The transactions concerned are as follows:

- Sale by SFL to OPCI Predica Bureaux of 49% of the capital and voting rights of SAS Cloud and 92 Champs-Élysées for €538,637,400;
- Sale by Predica to SFL of 30% of the capital and voting rights of SCI Washington and 44% of the capital and voting rights in SAS Parholding for a price of €538,637,400;
- Exchange of 4% of the capital and voting rights of SCI Washington and 6% of the capital and voting rights of SAS Parholding held by Predica, for 7% of the capital and voting rights of SCI Paul Cézanne and SCI 103 Grenelle held by SFL, based on an exchange amount of €67,419,282;
- Exchange of Predica's receivables from SCI Washington and SAS Parholding for 6% of the capital and voting rights of SCI Paul Cézanne and SCI 103 Grenelle held by SFL, based on an exchange amount of €55,783,280;
- Acquisition by SFL of 3,664,259 of its own shares from Predica, representing 8% of the capital and voting rights (shares bought back for cancellation, in order to reduce the capital), in exchange for 36% of the capital and voting rights of SCI Paul Cézanne and SCI 103 Grenelle, for an exchange amount of €354,250,153.

The conditions precedent were fulfilled and the transactions were completed on 4 August 2021. As of that date:

- SFL and Predica held 51% and 49% respectively of the capital and voting rights of SCI Paul Cézanne and SCI 103 Grenelle;
- SFL and OPCI Predica Bureaux held 51% and 49% respectively of the capital and voting rights of SAS Cloud and 92 Champs-Élysées;
- SFL held 100% of the capital and voting rights of SCI Washington and SAS Parholding;
- SFL share capital was reduced from €93,057,948 (46,528,974 shares) to €85,729,430 (42,864,715 shares).

Agreements already approved by the Annual General Meeting

Agreements approved in prior years that remained in force in 2021

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 2021:

Agreement with Dimitri Boulte, Managing Director

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.

In 2021, Dimitri Boulte received a gross annual salary of €333,023. Dimitri Boulte's 2020 bonus paid in 2021, as calculated by the method decided by the Board of Directors on 11 February 2021, amounted to €237,151.
On 11 February 2021, the Board of Directors decided to award 16,000 Plan 5 performance shares to Dimitri Boulte. The Plan 5 rules are presented in Appendix 14.2 of the Management Report. He also has the use of a company car (benefit in kind).

Agreements approved in prior years that expired in 2021

We were also informed that the following agreements approved in a prior year by shareholders expired in 2021:

Agreement with Prédica

Authorised at the Board 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 was governed by Articles L.225-38 *et seq.* of the French Commercial Code.

This partnership agreement expired on 4 August 2021, the completion date of the Sale and Exchange Agreement of 3 June 2021 referred to above.

Neuilly-sur-Seine and Paris-La Défense, 24 February 2022
The Statutory Auditors

PricewaterhouseCoopers Audit
Laurent Daniel

Deloitte & Associés
Sylvain Durafour

Additional Information

1. Persons responsible for the Universal Registration Document and the audit of the accounts

1.1. Statement by the person responsible for the Universal Registration Document

Person responsible for the Universal Registration Document

Nicolas Reynaud, Chief Executive Officer

Statement by the person responsible for the Universal Registration Document

I hereby declare that 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, 14 March 2022

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 Sylvain Durafour	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 Laurent Daniel	20 June 1995	5 April 2019	2024

*At the close of the Annual General Meeting to be called to approve the financial statements for the year indicated.

2. Additional legal information

Corporate name and registered office

– Corporate name: Société Foncière Lyonnaise
– Registered office: 42, rue Washington, 75008 Paris, France
– Phone: +33 (0)1 42 97 27 00

Legal form

Société anonyme (public limited company) governed by the French Commercial Code

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 40 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

As of 31 December 2021, the Company's issued share capital amounted to €85,729,430 divided into 42,864,715 ordinary shares with a par value of €2, all fully paid up.

3.3. Ownership structure

SFL's ownership structure is described on page 35 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 41 of the Management Report for a description of the shareholders' pacts in force in relation to the Company.

3.5. Corporate governance

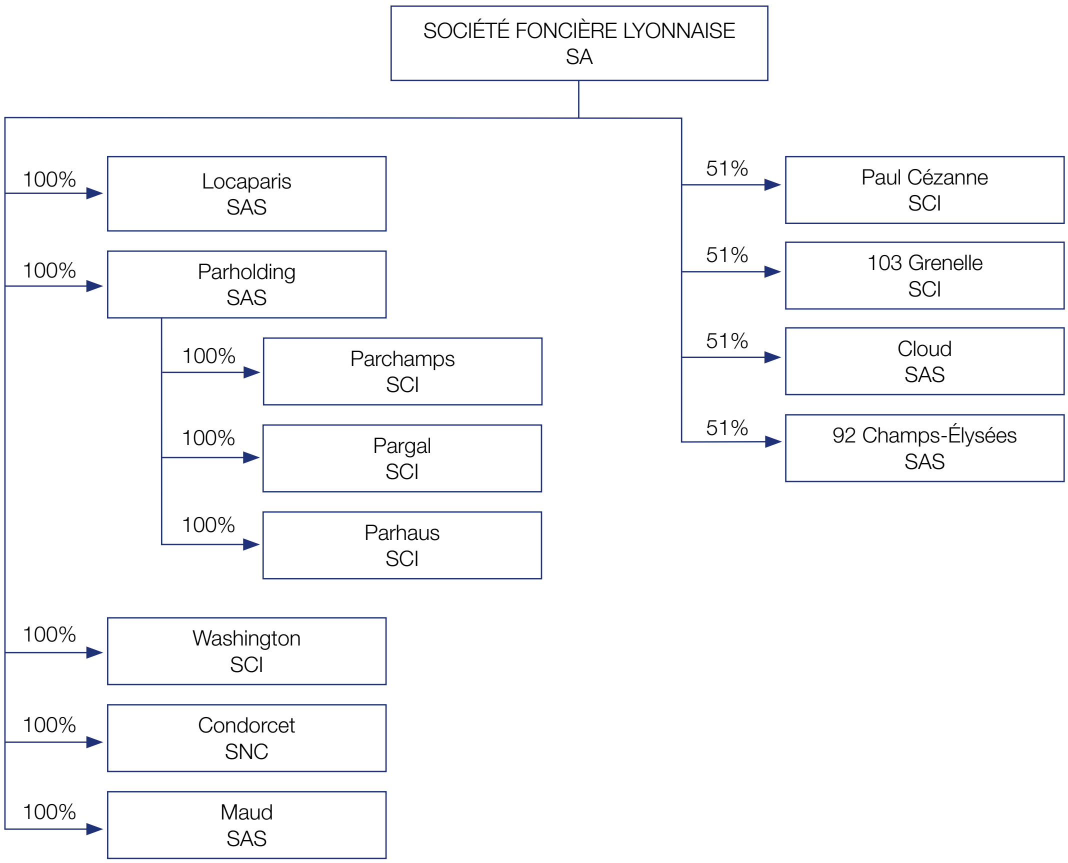
In application of Article 20 of the Articles of Association, the functions of Chairman and Chief Executive Officer were separated on 27 January 2015.

The Board of Directors' corporate governance report is presented on pages 91 *et seq.* of this document.

The Company's Articles of Association can be found on the website (in French only): http://www.fonciere-lyonnaise.com/societe/informations-juridiques/

4. Additional information about the Group's operations and organisational structure

4.1. Organisation chart



See pages 41 and 42 of the Management Report on the change in the Company's partnerships in 2021.

As of 31 December 2021, SFL owned, directly or indirectly, 100% of the capital of eight of its active subsidiaries and controlled 51% of its other active subsidiaries under four shareholders' pacts with Predica.

Executive management positions (Chairman, Chief Executive Officer or Legal Manager) in these subsidiaries are held either by SFL or by a member of SFL's executive management.

SFL's Board of Directors examines the parent company and consolidated financial statements presented by the Audit Committee.

SFL and all of its subsidiaries have their registered office at 42, rue Washington in the 8th *arrondissement* of Paris.

SFL conducts arm's length transactions with some of its subsidiaries, as follows:

– Until 3 August 2021 SFL operated:
  - an automatic cash pooling system with SAS Locaparis, SA Segpim, SCI 103 Grenelle and SAS Maud, under which SFL lent funds at Eonia + 60bps and borrowed funds at Eonia - 10bps;
  - current account or cash management agreements with SCI Washington, Parholding and its subsidiaries, SCI Paul Cézanne, SNC Condorcet Holding and SNC Condorcet Propco,

under which interest on advances made and received by SFL was charged at rates ranging from 0% to the 3-month Euribor + 150bps.

– On 25 June 2021 SCI 103 Grenelle exited the automatic cash pool.

– On 4 August 2021:
  - the current account agreements with Parholding and SCI Washington were terminated, and
  - SFL entered into new cash management agreements with these subsidiaries. Under the new agreements, Parholding borrows at the 3-month Euribor + 150bps and SCI Washington borrows at the 3-month Euribor + 60bps. Both companies lend at the 3-month Euribor without any spread.

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 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 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 18 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 2021 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 2021 rent-rolls, rents on certain units were above or below observed market rents for the second half of 2021 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 2021 was:
- €6,537,325,310 excluding transfer costs and €6,988,744,500 including transfer costs for the Group's share;
- €7,606,153,000 excluding transfer costs and €8,137,734,257 including transfer costs on a 100% basis.

Appendix: cross-reference table for the 2021 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		
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Historical financial information

Financial statements and Statutory Auditors' reports for 2021: 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 2019, prepared in accordance with IFRS, and the related Statutory Auditors' reports, as presented on pages 143 to 171 and 192 to 194 of the 2019 Registration Document (Financial and Legal Report) filed with the AMF on 13 March 2020 under No. D.20-0124.

– The consolidated financial statements for the year ended 31 December 2020, prepared in accordance with IFRS, and the related Statutory Auditors' reports, as presented on pages 155 to 183 and 206 to 208 of the 2020 Universal Registration Document (Financial and Legal Report) filed with the AMF on 15 March 2021 under No. D.21-0120.

SOCIETE FONCIERE LYONNAISE

French *société anonyme* with share capital of €85,729,430
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Design and production |

SOCIETE FONCIERE LYONNAISE