



# REPORT

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## ENVIRONMENTAL

## SOCIAL

## GOVERNANCE

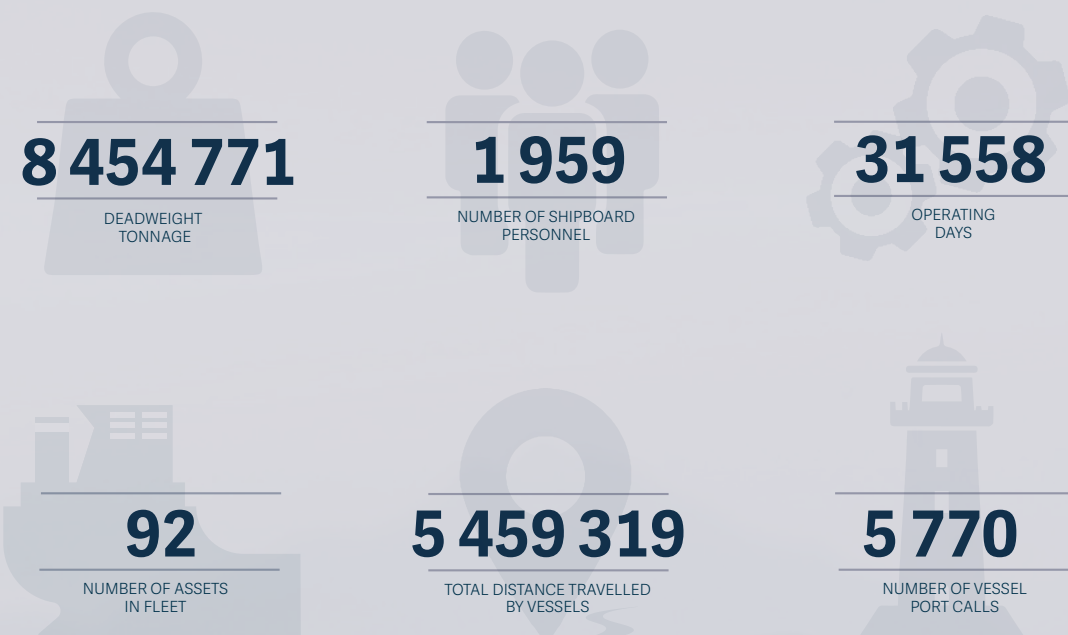
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# 2019

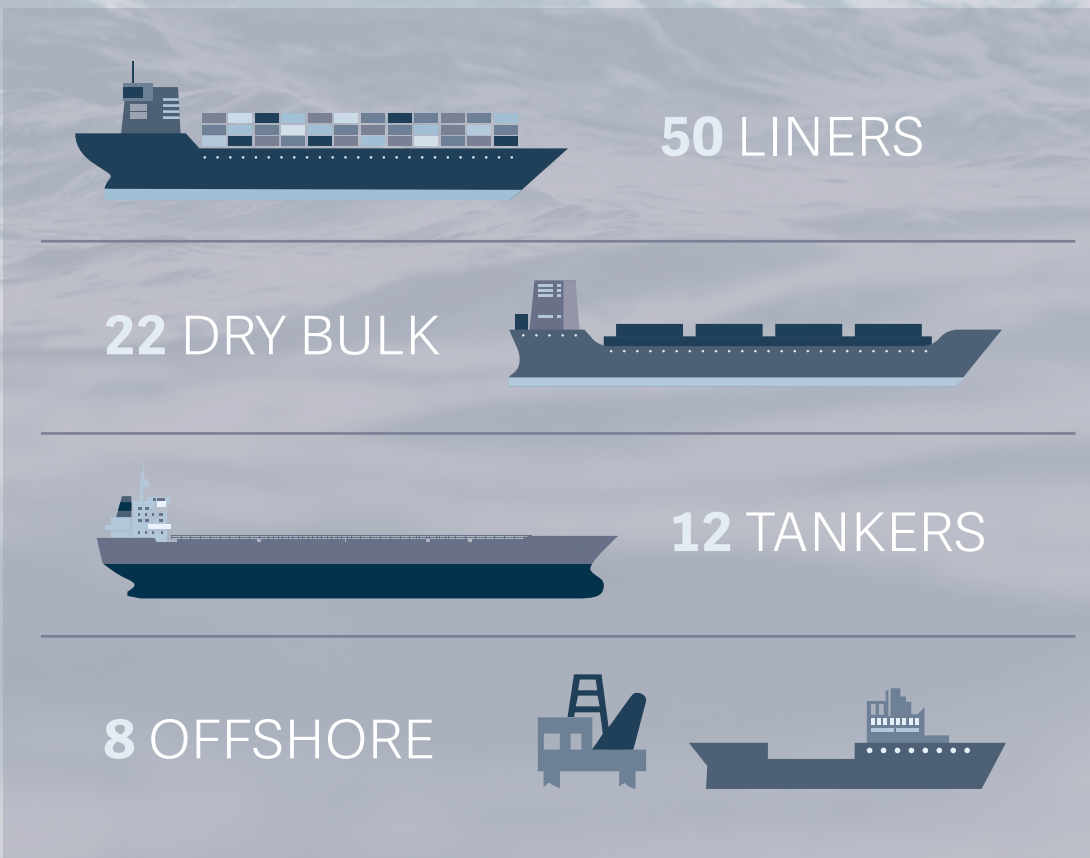
THIS REPORT HAS BEEN PREPARED BASED ON  
THE REQUIREMENTS OF THE SUSTAINABILITY  
ACCOUNTING STANDARDS BOARD







## DIVERSIFIED AND GROWING ASSET BASE



## 1. INTRODUCTION

SFL has a fleet of more than 90 vessels consisting of tankers, bulkers, container vessels and offshore assets, making us one of the world's largest ship-owning companies. We have a unique track record in the maritime industry, being consistently profitable and paying dividends every quarter since the company was first listed on the New York stock Exchange (NYSE: SFL) in 2004.

SFL launched its first ESG (Environmental, Social and Governance) report for 2018 offering key stakeholders an insight into our approach to sustainability. Environmental, Social and Governance (ESG) factors are an integral part of our business, as we believe taking ESG seriously will create and protect the value of our business. Our approach to sustainability management is aimed to provide stakeholders with a clear understanding of how we monitor and perform on material ESG issues in the face of increasing expectations and regulations.

As attention to climate change continued to grow in 2019 we saw new regulations and requirements from the financial community. The shipping industry plays a key role in world trade – and it enables economic growth as well as social development. Given the importance of our industry, continuing to develop efficient shipping solutions is essential.

The implementation and enforcement of the International Maritime Organisation's (IMO) new sulphur regulations has been a priority for the industry closing in on 2020. Going forward, the IMO 2030 strategy will require increased efforts to reduce CO<sub>2</sub> emissions in our sector. To meet these expectations, SFL is working to enhance efficiency and reduce the greenhouse gases emitted by our vessels. These efforts are aligned with our overall business strategy, as improving efficiency and reducing energy consumption will generate both environmental and economic advantages for SFL.

Investors are increasingly paying attention to ESG-governance and environmental performance in particular. SFL relies on cost efficient financing, and we realise that the value of our physical assets will be affected by emission regulations as well as customer expectations. SFL monitors every aspect of its fleet operations, including greenhouse gas emissions and energy efficiency.

As ESG issues are complex, we believe targeted reporting is useful for our stakeholders and our management processes.

To this end, we have defined a set of relevant parameters that are material to our company so that we can monitor measurable results. In 2019, we initiated the process of enhancing our ESG management system by scoping the development of a digital platform that sets out to make monitoring, management and reporting of ESG issues more efficient and accurate. The implementation of the platform will commence in 2020.


This report seeks to provide investors and other stakeholders with easy access to material ESG information. Our report has been prepared in accordance with the Marine Transportation framework established by the Sustainability Accounting Standards Board (SASB). This allows us to report on material ESG parameters with industry specific performance metrics. Furthermore, we have incorporated the principles of the UN Global Compact. The report and data cover the period 1 January to 31 December 2019.





Trym Otto Sjølie  
COO, SFL Management AS

*“Improving efficiency and reducing energy consumption will generate both environmental and economic advantages for SFL.”*

# 2. SUSTAINABILITY ACCOUNTING STANDARD DISCLOSURES

TOPIC	ACCOUNTING METRIC	UNIT OF MEASURE	DATA 2018	DATA 2019	SCOPE BY CONTRACT	CODE
  GREENHOUSE GAS EMISSIONS	CO <sub>2</sub> EMISSIONS					
	Gross global Scope 1 emissions: Financial control	Metric tons (t) CO <sub>2</sub> -e	3 606 422	3 986 648 <sup>a</sup>	All assets	TR-MT-110a.1
	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	See page 8				TR-MT-110a.2
	ENERGY CONSUMED					
	(1) total energy consumed	Gigajoules (GJ), Percentage (%)	23 811 062, 100 %	27 302 364 <sup>b</sup> 100%	TC, Spot & BB rigs	TR-MT-110a.3
	(2) percentage heavy fuel oil	Gigajoules (GJ), Percentage (%)	20 450 715, 86 %	23 026 358 <sup>b</sup> 84%	TC, Spot & BB rigs	
	EEDI					
	Average Energy Efficiency Design Index (EEDI) for new ships	Grammes of CO <sub>2</sub> per ton-nautical mile	Not available	2.18 <sup>c</sup>	All vessels	TR-MT-110a.4
AIR QUALITY	OTHER EMISSIONS TO AIR					
	(1) NO <sub>x</sub> (excluding N <sub>2</sub> O)	Metric tonnes (t)	92 204	93 439 <sup>d</sup>	All vessels	TR-MT-120a.1
	(2) SO <sub>x</sub>	Metric tonnes (t)	53 860	55 499 <sup>d</sup>	All vessels	
	(3) particulate matter	Metric tonnes (t)	5 911	6 957 <sup>d</sup>	All vessels	
ECOLOGICAL IMPACTS	MARINE PROTECTED AREAS					
	Shipping duration in marine protected areas or areas of protected conservation status	Number of travel dayss	1 530/653	1 521/695 <sup>e</sup>	All assets/TC and Spot	TR-MT-160a.1
	IMPLEMENTED BALLAST WATER					
	(1) exchange	Percentage (%)	98%	98% <sup>f</sup>	TC and Spot	TR-MT-160a.2
	(2) treatment	Percentage (%)	47%	53% <sup>f</sup>	TC and Spot	
	SPILLS AND RELEASES TO THE ENVIRONMENT					
	(1) number	Number	0	0 <sup>g</sup>	TC and Spot	TR-MT-160a.3
	(2) aggregate volume	Cubic meters (m <sup>3</sup> )	0	0 <sup>g</sup>	TC and Spot	

TOPIC	ACCOUNTING METRIC	UNIT OF MEASURE	DATA 2018	DATA 2019	SCOPE BY CONTRACT	CODE
 BUSINESS ETHICS	CORRUPTION INDEX					
	Number of calls at ports in countries that have the 20 lowest rankings in Transparency International's Corruption Perception Index	Number	72/23	348/96 <sup>h</sup>	All vessels/TC and Spot	TR-MT-510a.1
	CORRUPTION					
	Total amount of monetary losses as a result of legal proceedings associated with bribery or corruption	Reporting currency	0	0	TC and Spot	TR-MT-510a.2
EMPLOYEE HEALTH & SAFETY	LOST TIME INCIDENT RATE					
	Lost time incident rate (LTIR)	Rate	1,03	0.68 <sup>i</sup>	TC and Spot	TR-MT-320a.1
 ACCIDENT & SAFETY MANAGEMENT	MARINE CASUALTIES					
	Incidents	Number	1	0 <sup>j</sup>	TC and Spot	TR-MT-540a.1
	Very serious marine casualties	Percentage (%)	0	0 <sup>j</sup>	TC and Spot	
	CONDITIONS OF CLASS					
	Number of Conditions of Class or Recommendations	Number	0	0 <sup>k</sup>	TC and Spot	TR-MT-320a.1
	PORT STATE CONTROL <sup>i</sup>					
	(1) deficiencies	rate	Not available	0.94 <sup>l</sup>	All vessels	TR-MT-540a.3
	(1) detentions	number	1	1 <sup>l</sup>	All vessels	

ACTIVITY METRIC	UNIT OF MEASURE	DATA 2018	DATA 2019	SCOPE BY CONTRACT	CODE
Number of shipboard personnel	Number	2042/990	1 959/1 001 <sup>m</sup>	All assets/TC and Spot	TR-MT-000.A
Total distance travelled by vessels	Nautical miles (nm)	5 127 191	5 459 319 <sup>n</sup>	All assets	TR-MT-000.B
Operating days	Days	32 705/17 992	31 558/15 804 <sup>o</sup>	All assets/TC and Spot	TR-MT-000.C
Deadweight tonnage	Thousand deadweight tons	8 380 873	8 454 771	All assets	TR-MT-000.D
Number of assets in fleet	Number	89	92 <sup>p</sup>	All assets	TR-MT-000.E
Number of vessel port calls	Number	/1 710	5 770/2144	All assets/TC and Spot	TR-MT-000.F
Twenty-foot equivalent unit (TEU) capacity	TEU	316 550	327 450	All relevant vessels	TR-MT-000.G

Please see chapter 7 for assumptions regarding the SASB disclosures, and specific comments referred to above

# 3. ESG GOVERNANCE AT SFL

Clear guidance and robust control mechanisms are essential to safeguard that sustainability, safety and appropriate risk management is integrated in our daily operations. SFL is committed to complying with all applicable international and local laws and regulations. We have established a set of policies and control processes to safeguard our employees' and partners' diligent management of ESG issues in accordance with these policies. All our employees have access to relevant policies that can guide them in conducting tasks on behalf of our company, and policy briefings are part of our on-boarding procedures. Furthermore, we have implemented a system of monitoring compliance.

The foundation for our Corporate Code of Business Ethics and Conduct is established by the Board of Directors (BoD). The Board ensures that we have sufficient internal control and risk management systems in place, which encompass our corporate values and ethical guidelines, including the guidelines for corporate social responsibility. The Board considers critical ESG issues, and in line with our Code of Conduct any significant incidents are reported directly to the Board. The Board also reviews the annual ESG report.

The BoD has also established an Audit Committee which monitors and reports any complaints received by the company relating to internal controls and compliance. Any suspected deviations from our policies are to be reported to the closest manager or by making use of our compliance hotline as outlined in our Complaints Procedure (Whistleblowing). The hotline is managed by a third-party service provider, allowing for confidential and anonymous submission of concerns. The Audit Committee also ensures that policies regarding ethics, risk assessment and risk management are adequate, these policies are reviewed on an annual basis.

SFL is committed to have in place strong ESG governance and management systems. We make sure to update and reinforce our procedures and initiatives regularly as the subjects of health, safety, environment and business ethics in our industry are evolving. In 2019, we initiated the process of enhancing our ESG management system by scoping the development of a digital platform which will make monitoring, management and reporting of ESG issues more efficient and accurate. The scope of the platform was defined by the end of 2019, and DNV GL was chosen as our partner. The development and implementation of the platform will commence in 2020.

We monitor our fleet on a continuous basis, even if we do not necessarily operate the fleet ourselves. SFL ensures that key business partners and all employees sign off to be compliant with our policies and to ensure that adequate training is provided.

## COOPERATION INITIATIVES

Some of the challenges our industry is facing require joint actions. Through cooperation with other stakeholders – including industry and regulatory authorities – we aim to stay ahead of the curve on material risks and opportunities. This helps enhancing our ESG risk management.

We have joined the following initiatives: Maritime Anti-Corruption Network (MACN), Clean Shipping Alliance, the International Association of Independent Tanker Owners (Intertanko) as well as complying with the requirements of Oil Companies International Marine Forum (OCIMF).

Collaborating with industry peers such as Avance Gas, Flex LNG, Frontline and Golden Ocean, SFL is in the process of establishing an ESG forum: the goal is to design industry leading approaches to ESG risk management and reporting parameters.

MATERIAL ISSUE	INTERNAL GOVERNANCE DOCUMENTS	INTERNATIONAL STANDARDS AND REFERENCES
Climate change	Environmental Policy (FM)	The Paris Agreement The Intergovernmental Panel on Climate Change (IPCC) Initial IMO Strategy on Reduction of GHG Emissions from Ships
Air emissions	Environmental Policy (FM)	IMO MARPOL Convention Annex VI EU Sulphur Directive 2016/802 UNCLOS
Ecological impact	Environmental Policy (FM) Ship Recycling Policy	UN Global Compact IMO MARPOL Convention Annex VI IMO Ballast Water Management Convention IMO MARPOL Convention Annex VI Hong Kong Convention
Anti-Corruption	Corporate Code of Business Ethics and Conduct Financial Crime Policy	UN Global Compact The US Foreign Corrupt Practices Act and the UK Bribery Act
Employee Health & Safety	Corporate Code of Business Ethics and Conduct Ship Recycling Policy	UN Global Compact ILO Conventions Maritime Labour Convention, 2006 (MLC, 2006) International Management Code for the Safe Operation of Ships and for Pollution Prevention (The ISM Code) Hong Kong Convention Marine Crew Resource Management
Accident & Safety Management	Corporate Code of Business Ethics and Conduct	International Management Code for the Safe Operation of Ships and for Pollution Prevention (The ISM Code) Marine Crew Resource Management



AS PART OF addressing sustainability, we have identified three UN Sustainable Development Goals (SDGs) where we believe SFL can contribute. We have selected SDGs 13, 14 and 16 since these goals are closely tied to our industry and represent material topics which we monitor closely. Please see chapter 4 and 6 for more information. Contributing to the broader global agenda of reaching the SDGs is in our interest as they affect our business, customers, suppliers, investors and societies which we depend on.







## 4. ENVIRONMENT

At SFL, we recognise our responsibility to manage our environmental impact. Some of the largest environmental and ecological risks posed by the shipping industry are related to emissions, discharges and spills. These factors have significant implications for air and water quality, and marine biodiversity if precautionary actions are not taken. SFL's ambitions and ability to manage such risks are vital for protecting the environment, the sector, our customers and our own business.

We have monitoring and management tools in place to ensure compliance with international and local regulations. SFL reviews all identified risks to the environment, allowing us to establish appropriate safeguards. Our technical department formally supervises ship managers through quarterly performance review meetings to ensure compliance, and any corrective measures that are imposed on them are followed-up on. An annual audit is performed by Class according to the ISM Code and where appropriate ISO 9001 and ISO 14001.

SFL's Environmental Policy describes our commitment to environmental due diligence and how spills and operational emissions of sulphur oxides, nitrogen oxides, waste and other discharges are to be managed. We also work diligently with our Ship Energy Efficiency Management Plan and have established a thorough system for incident reporting. Our Management System is ISO-compliant and in accordance with the ISM Code.

Investors and financial actors are increasingly paying attention to ESG-governance and, in particular, environmental performance. SFL relies on cost efficient financing, and we realise that the value of our physical assets may be affected by emission regulations as well as customers' expectations. SFL monitors every aspect of its fleet operations, including greenhouse gas emissions and energy efficiency. This allows us to continually adjust our efforts and improve our performance in accordance with relevant expectations and regulations. In addition, we assess our investment strategies on a regular basis, taking into consideration how we may be impacted by stricter environmental regulations and physical climate risks.

### EMISSIONS AND AIR QUALITY

Greenhouse gas emissions deriving from maritime shipping activities have significant implications for air quality and the

climate. Growing concerns about climate change combined with increased levels of international trade, have led the industry to take actions through more stringent regulations and standards.

In January 2020, the IMO 2020 came into effect placing a 0.5% global cap on sulphur dioxide (SOx) content in shipping fuels. In combination with the NOx Emission Tier III standard in Emission Control Areas (ECA) from 2016, this marked a turning point for the industry. SFL has prepared to meet these requirements by investing more than 200 million USD in sulphur abatement technology to reduce global SOx emissions from both operated and non-operated vessels. As of April 2020, 19 of our vessels were fitted with scrubbers, representing about a quarter of our fleet. By the end of 2020, scrubber installations will cover approximately half of our fleet.

The IMO has launched a strategy towards 2030 in line with the Paris Agreement to combat climate change. Compared to 2008 levels, the strategy aims to reduce CO<sub>2</sub> emissions per transport work by at least 40 per cent by 2030, and 70 per cent by 2050<sup>1</sup>. SFL supports this strategy and is committed to increase our ships' efficiency and reduce the greenhouse gasses emitted from our vessels.

We have implemented several efficiency measures including a periodic plan for hull inspection with condition-based cleaning. This is part of our effort to reduce fuel consumption by minimizing resistance in the water. We also have periodic plans for propeller cleaning –typically conducted twice a year.

We believe high quality ESG management is fundamental to ensure actual progress. To enhance our ESG management, we will implement a digital platform to track vessel fuel efficiency in 2020. Live tracking of each of our vessels' emissions and energy consumption will be an important tool to monitor energy efficiency and emissions in accordance with regulations and our own targets.

We continuously monitor the development in engine and cleaning technologies as regulatory requirements will emerge as we approach 2030. In 2020, we will continue mapping areas for improvement, define ESG targets and consider strategies for how SFL can further contribute to the IMO 2030 strategy.

Through our efforts to lower our fleet's CO<sub>2</sub> emissions by increasing efficiency and upgrading engine technology, SFL supports UN SDG 13 – targeting the global fight against climate change. This is in line with the IMO 2030 strategy.



### SPILLS, DISCHARGES AND ECOLOGICAL IMPACTS

Marine transportation represents ecological risks through discharges and potential spills. SFL's ambitions and ability to manage such risks are critical for protecting the environment, as well as the competitiveness of our business.

SFL is conscious that larger volumes of oil spills have serious and long-lasting negative impacts on ecosystems – incidents may cause degradation to ecosystems, grave injuries or fatalities. Recovery efforts, reputational damage and financial impacts will inevitably follow such incidents. The highest likelihood of spills occurs in fuel transfer operations. However, spills as a result of ship collisions typically have the most serious consequences. SFL had no spills during 2019.

Whilst ballast water is essential for safe and efficient modern shipping operations, it may also represent serious ecological, economic and health risks due to the multitude of marine species it carries that can adversely affect biological diversity. The handling of ballast water is regulated by the International Convention for the Control and Management of Ships' Ballast Water and Sediments<sup>3</sup>. We take ecological risks seriously, and 98 per cent of our owned and operated vessels have installed ballast water exchange systems, and 53 per cent have installed treatment technology<sup>2</sup>: *We increased the BWTS coverage rate by 6 per cent over the course of 2019*. Our investment plan for further instalment is set to ensure full compliance with the Convention.

Ships contain hazardous materials, and ship recycling must be performed according to strict standards to protect human health, safety and the environment. The Hong Kong Convention aims to ensure that ships, when recycled after reaching the end of their operational lives, do not pose a risk to the safety of workers or to the environment. In 2019 SFL developed and approved a Ship Recycling Policy to make sure that any future recycling of SFL's ships may only take place at an approved yard compliant with the Hong Kong Convention and in alignment with the ten UN Global Compact principles. The latter principles refer not only to environmental issues, but also human rights and anti-corruption.

We have identified SDG 14 – Life below water – as relevant for our operations, with emphasis on target 14.C, aimed at enhancing the conservation and sustainable use of oceans and their resources by implementing international law. At SFL, we track and monitor our fleet continuously, this includes a full overview of when our ships are sailing in protected areas. Of the targets established by the UN under SDG 14 there are two areas where we see the potential of SFL having a direct impact:

- 14.1 targets prevention and reductions of marine pollution of all kinds by 2025. Our most important initiatives in this regard will be our continued focus on our zero spills policy and our crew members are trained in and must follow our stringent rules for avoiding spills at any time.

- 14.2 targets sustainable management and protection of marine and coastal ecosystems to avoid significant adverse impacts. Our efforts to further implement ballast water treatment installations on our entire fleet will be one of our most important contributions in terms of protecting marine ecosystems.



ACCOUNTING METRIC	UNIT OF MEASURE	DATA
CO <sub>2</sub> EMISSIONS		
Gross global Scope 1 emissions	Metric tonnes (t) CO <sub>2</sub> -e	3 986 648
ENERGY CONSUMED		
(1) total energy consumed	Gigajoules (GJ), Percentage (%)	27 302 364 100%
(2) percentage heavy fuel oil	Gigajoules (GJ), Percentage (%)	23 026 358 84%
EEDI		
Average Energy Efficiency Design Index (EEDI) for new ships	Grammes of CO <sub>2</sub> per ton-nautical mile	2.18
OTHER EMISSIONS TO AIR		
(1) NO <sub>x</sub> (excluding N <sub>2</sub> O)	Metric tonnes (t)	93 439
(2) SO <sub>x</sub>	Metric tonnes (t)	55 499
(3) particulate matter	Metric tonnes (t)	6 957
MARINE PROTECTED AREAS		
Shipping duration in marine protected areas or areas of protected conservation status	Number of travel days	1 521 / 695
IMPLEMENTED BALLAST WATER		
(1) exchange	Percentage (%)	98 %
(2) treatment	Percentage (%)	53 %
SPILLS AND RELEASES TO THE ENVIRONMENT		
(1) number	Number	0
(1) aggregate volume	Cubic meters (m <sup>3</sup> )	0

<sup>1</sup> <http://www.imo.org/en/MediaCentre/PressBriefings/Pages/09GHGInitialstrategy.aspx>  
<sup>2</sup> Vessels on bareboat contract were not part of this calculation  
<sup>3</sup> <https://www.dnvgl.com/maritime/ballast-water-management/index.html>



## 5. SAFETY, LABOUR CONDITIONS AND HUMAN RIGHTS

A safe working environment for our employees is our highest priority. Our ship management is based on policies, procedures and efforts to regulate how we conduct ourselves in our business at sea and onshore. Providing safe and healthy labour conditions, a supportive environment and opportunities to develop within our company are key to the well-being of our staff – this is fundamental to the long-term success of SFL.

Our Corporate Code of Business Ethics and Conduct regulates how SFL employees are to operate. The Code applies to all employees in our company, and complies with applicable international, national and industry specific regulations. Any suspected intentional deviation from the Code or external regulation should be reported directly to the closest manager or through our telephone or web-based compliance hotline – the latter is described in our Complaints Procedure.

Our managers employ and train qualified seafarers in accordance with the requirements of the flag state and the Standards of Training, Certification & Watchkeeping Convention. We have implemented risk assessment systems to review all identified risks to our ships and personnel, establishing appropriate safeguards and practices. Our fleet managers formally supervise ship managers through quarterly performance review meetings where all performance criteria, including safety matters, are discussed to ensure compliance. Focal points from the technical team meets with all ship managers on a monthly basis going through all incidents related to safety. Our technical department follows up on the implementation of any corrective measures. We also bring all ship managers together monthly for thematic seminars to share industry best practice. Our frameworks, procedures and practices all support our aim for zero accidents for incidents. An annual audit is performed by Class according to the ISM Code and where appropriate for ISO 9001 and ISO 14001.

A detailed analysis of accidents and incidents for the entire fleet is prepared for SFL by SeaTech Safety in accordance with the OCIMF guidelines on Lost Time Injuries (LTIs) and Total Recordable Cases and Frequency (TRC and TRCF). The reports allow us to identify the root causes of all reported incidents and functions as a tool for future improvement of our Corporate Code of Business Ethics and Conduct.

All accidents, incidents and near misses shall be reported and proactive measures are taken to ensure that we encourage our crew to report these without hesitation and our full support. SFL and its subcontractors adhere to industry best practice according to the OCIMF TMSA framework when investigating incidents and take appropriate actions to prevent similar incidents from reoccurring. LTIR was 0.68 in 2019, representing an improvement and decrease from 1.03 in 2018.

All vessels are regularly audited through the ISM, ISPS and MLC regulations. These follow a regime of interim, initial, periodic and renewal stages as stipulated by Class, the IMO and Flag State. Annual audits are performed of the safety management system in accordance with the same regulatory framework for all vessels and office functions involved in operating the vessels.

SFL complies with the OCIMF – widely recognised as the voice of the oil industry – providing expertise in the safe and environmentally responsible transport and handling of hydrocarbons in ships and terminals and setting standards for continuous improvement. OCIMF membership is extensive and includes the oil majors along with the majority of National Oil Companies.

### LABOUR RIGHTS AND WORKING CONDITIONS

In addition to securing our workers' health and safety, we seek to ensure that our employees, onshore and offshore, are working under conditions that meet the requirements set out in the International Labour Conventions and the Maritime Labour Convention. As part of safeguarding seafarers labour rights, these conventions include the right to Collective Bargaining Agreements with Flag State, and that no employee is discriminated based on nationality, race, ancestry or any other basis. The PSC and the OCIMF Ship Inspection Report Programme (SIRE) are implemented ensuring that applicable labour rights are being complied with.



SFL is committed to respecting and protecting internationally recognised human rights as laid out in the UN Guiding Principles on Business and Human Rights (UNGPR). We are an international company with suppliers from several parts of the world. We strive to have and update the necessary policies, due diligence processes and access to remedy in line with the UNGPR. SFL is planning to implement a third-party compliance screening procedure in 2020 to ensure adherence in all our business relations, and we will update our policies so that Anti-Slavery clauses are implemented diligently.

ACCOUNTING METRIC	UNIT OF MEASURE	DATA
LOST TIME INCIDENT RATE		
Lost time incident rate (LTIR)	Rate	0.68
MARINE CASUALTIES		
Incidents	Number	0
Very serious marine casualties	Percentage (%)	0
CONDITIONS OF CLASS		
Number of Conditions of Class or Recommendations	Number	0
PORT STATE CONTROL		
(1) deficiencies	Rate	0.94
(2) detentions	Number	1





# 6. ANTI-CORRUPTION AND BUSINESS ETHICS

Corruption impedes access to global markets and undermines economic and social development. For businesses in the shipping industry, corruption poses legal and reputational risks while also potentially threatening the safety of the crew.

Commitment to honest and ethical conduct along with integrity are key values for SFL. These values are embedded in our way of working with customers, suppliers, employees, shareholders and the communities in which we operate. We have a zero-tolerance policy towards bribery as stated in our Corporate Code of Business Ethics and Conduct and Financial Crime Policy, which applies to all entities controlled by SFL's officers, directors, employees as well as workers and third-party consultants, wherever they are located. Our implemented enterprise-wide anti-corruption and money laundering policies are modelled on the UK Bribery Act and US Foreign Corrupt Practices Act (FCPA).

Assessing and monitoring business processes, training and controls are fundamental tools in implementing our anti-corruption policy. As part of our compliance processes, appropriate risk-based communication and training is provided to employees and Business Partners as part of their on-boarding and ongoing development programme.

Our Corporate Code of Business Ethics and Conduct outlines our requirements and expectations relating to: Compliance with Laws and Regulations, Honest and Fair Dealing, Conflict of Interest and Corporate Opportunity, Anticorruption, Confidentiality and Privacy, Proper use of Company assets, anti-discrimination and Harassment and Integrity of corporate records. The Code of Conduct specifies how a violation of any of those standards is managed. The Code of Conduct obliges employees who observe or become aware of a situation they believe to be in violation of the Code of Conduct to promptly notify their manager. Suspected deviations from our policy are to be reported to the line manager or by making use of our telephone or web-based compliance hotline as outlined in our Complaints Procedure. SFL was not involved in any legal proceedings associated with bribery, corruption or anti-competition in 2019.

Tackling systemic integrity challenges requires collective action. Through the Marine Anti-Corruption Network (MACN), SFL has joined forces with other members of the shipping



industry to share information and approaches, but also to engage with authorities and civil society. The core of the MACN collective approach is that successful, lasting changes in the operating environment will take effect only if they are enabled and supported by and beneficial to key stakeholders.

Through joint action, MACN members collaborate with local authorities to develop solutions that are beneficial to all parties and realistic to implement. In MACN collective action projects, member companies unite with stakeholders including port and customs authorities, NGOs, and local governments to undertake root cause analyses and then implement a range of 'recommended actions' that tackle corruption in ports and across the maritime supply chain. MACN's collective actions have generated major outcomes, including for example:

reductions in demands for facilitation payments in the Suez Canal; new regulations in Argentina that make it more difficult for officials to demand bribes; and improved ease of operations in Lagos, Nigeria, with the implementation of standardized operating procedures and grievance mechanisms.

SDG target 16.5 aims at substantially reducing corruption and bribery in all their forms. As a member of MACN, and through our own diligent anti-corruption procedures, we support collective action to reduce corruption and bribery in all their forms.

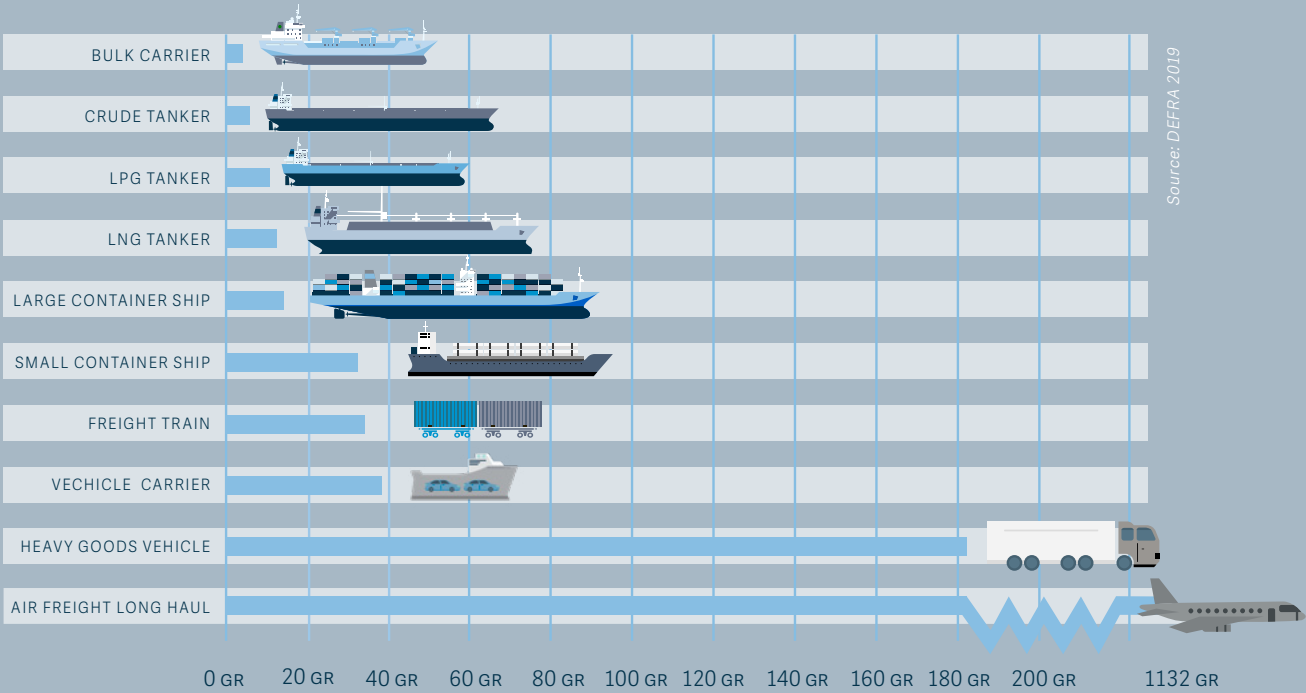


ACCOUNTING METRIC	UNIT OF MEASURE	DATA
CORRUPTION INDEX		
Number of calls at ports in countries that have the 20 lowest rankings in Transparency International's Corruption Perception Index	Number	348 / 96
CORRUPTION		
Total amount of monetary losses as a result of legal proceedings associated with bribery or corruption	Reporting currency	0





GLOBAL AVERAGE - GRAMME CO2 PER TONNE KM



## 7. DISCLAIMER AND ASSUMPTIONS FOR THE SASB REPORTING

*The information provided is based on the best data available at the time of reporting. The ESG disclosures should be used to understand the overall risk management of sustainability related issues, however, in some areas data are based on estimates, please see comments below.*

**<sup>a</sup>CO2 emissions** (Metric tons (t) CO<sub>2</sub>-e): Based on IMO emission factors. The “financial control” approach defined by the GHG Protocol has been applied. Scope 1: Owned vessels, based on fuel consumption for the year. As fuel consumption on bareboats were not available for 2019, estimates on CO2 emissions have been calculated based on the tool established by Danish Shipping and total distance travelled provided by IHS. The IMO has not published a distinct CO<sub>2</sub> emission factor for Low Sulphur Diesel (LSD) and VLSFO and the HFO factor has been applied where relevant.

**<sup>b</sup>Total energy consumption (TJ):** Calculated based available data on fuel purchases by using the fuel properties defined by DEFRA, Conversion factors, 2019. DEFRA has not published a distinct CO<sub>2</sub> emission factor for LSD and VLSFO and the HFO factor has been applied where relevant.

**<sup>c</sup>Average Energy Efficiency Design Index (EEDI) for new ships:** The average EEDI is based three new vessels entering the fleet in 2019.

**<sup>d</sup>Particulate matter (PM), NO<sub>x</sub>, SO<sub>x</sub> emissions (Metric tonnes):** NO<sub>x</sub>, SO<sub>x</sub> and PM emissions from the combustion of fuels from owned vessels have been calculated based on the tool established by Danish Shipping and distance travelled, where distance travelled has been provided for bareboats by IHS.

**<sup>e</sup>Shipping duration in marine protected areas or areas of protected conservation status:** A marine protected area as defined by the International Union for Conservation of Nature (IUCN): Any area of inter-tidal or sub-tidal terrain, together with its overlying water and associated flora, fauna, historical and cultural features, which has been reserved by law or other effective means to protect part or all of the enclosed environment, listed in the World Database of Protected Areas (WDPA) and mapped on Protected Planet. Protected Planet is the most up to date and complete source of information on protected areas, updated monthly with submissions from governments, non-governmental organizations, landowners and communities. It is managed by the United Nations Environment World Conservation Monitoring Centre. However, the reported number does not necessarily include all Marine protected areas internationally established and regulated in International the Marine Organization (IMO) Conventions and areas established nationally by member states. The data on shipping duration in Marine Protected Areas has been obtained through our tracking system (IHS).

**<sup>f</sup>Percentage of fleet implementing ballast water exchange and treatment:** Only ships performing ballast water exchange with an efficiency of at least 95 percent volumetric exchange of ballast water have been included. When it comes to treatment, approved systems must discharge (a) less than 10 viable organisms per cubic meter that are greater than or equal to 50 micrometres in minimum dimension and (b) less than 10 viable organisms per millilitre that are less than 50 micrometres in minimum dimension and greater than or equal to 10 micrometres in minimum dimension.

**<sup>g</sup>Spills and releases to the environment (Number, Cubic meters (m<sup>3</sup>)):** Any overboard spills and releases – intentional or accidental – shall be reported, even if the quantity is low and i.e. only causes a thin film or slight sheen upon or discoloration of the surface of the water.

**<sup>h</sup>Number of calls at ports in countries that have the 20 lowest rankings in Transparency International’s Corruption Perception Index (CPI):** In the event that two or more countries share the 20th lowest ranking, all have been included in the scope of disclosure. The list is based on the CPI for 2019. Note that scope for 2019 is extended to cover all countries that have the 20 lowest rankings in the CPI. Reported number for 2018 covers only the 20 lowest ranked countries.

**<sup>i</sup>Lost time incident rate (LTIR):** A lost time incident is an incident that results in absence from work beyond the date or shift when it occurred. The rate is based on: (lost time incidents) / (1,000,000 hours worked).

**<sup>j</sup>Marine Casualties:** Regarding SASB TR-MT-540a.1, the reporting is in accordance with the standard, however injuries to personnel as described in point 1.1.1 is reported as part of Health & Safety statistics (LTIR). The threshold for reporting on material damages as outlined in 1.1.4 and 1.1.6 is defined as USD 1,000,000.

**<sup>k</sup>Number of Conditions of Class or Recommendations:** The practice of issuing conditions/recommendations of class does not follow an entirely harmonized reporting methodology making it less useful for reporting purposes without further explanations, hence we do not disclose these numbers. We may consider disclosing information on this in the future if the methodology becomes standardised. Currently our scope of disclosure only includes Conditions of Class that resulted in withdrawal, suspension, or invalidation of a vessel’s Class certificate.

**<sup>l</sup>Port State Control:** Number of port state control (1) deficiencies and (2) detentions. Practices of port state controls reporting on deficiencies do not follow an entirely harmonized methodology making it less useful for reporting purposes without further explanations, hence we have chosen to report this number as a rate: number of deficiencies per Port State Control Inspection. Detentions are reported in number of actual cases. A detention is defined as an intervention action by the port state, taken when the condition of a ship or its crew does not correspond substantially with the applicable conventions and that a ship represent an unreasonable threat of harm to the marine environment etc. Note that detentions reported for 2018 only covered vessels on TC and Spot, for 2019, all owned vessels are included.

**<sup>m</sup>Number of shipboard personnel:** Only the number of personnel on board ships and other offshore assets at any time are recorded, this does not reflect the aggregate number of shipboard personnel during the year.

**<sup>n</sup>Total distance traveled by vessels:** The distance (in nautical miles) travelled by all vessels during the calendar year.

**<sup>o</sup>Operating days:** Operating days are calculated as the number of available days in a reporting period minus the aggregate number of days that the vessels are off-hire (i.e., a measure of days in a reporting period during which vessels actually generate revenue).

**<sup>p</sup>Number of assets in fleet:** This includes the complete fleet – as per December 31 in the financial year.





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