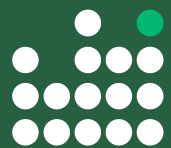


January 2023

Verification

POST-ISSUANCE



KPI Performance and Sustainability
Targets for Sustainability-Linked Bonds
SFL Corporation Ltd.

Verification of KPI performance

SFL Corporation Ltd. has commissioned Position Green Advisory AS (“PGA”) to undertake an independent review of the Company’s reporting on their Key Performance Indicator (KPI) against the Sustainability Performance Target (SPT) set in their Sustainability-Linked Bond Framework (SLBF) issued April 2021. The verification has been performed in line with ICMA’s Guidelines for Green, Social, Sustainability and Sustainability-Linked Bonds External Reviews.

Basis for the review

Scope of verification	SFL’s reported KPI as at 31.12.2022, against the SPT, both as defined in SFL’s Sustainability-Linked Bond Framework (SLBF)
Framework/Methodology	Sustainability-Linked Bond Principles (SLBP)

Criteria

PGA has assessed the reported KPI based on whether it has been reported in accordance with the definition in SFL’s Sustainability Linked Bond Framework (SLBF) published in April 2021¹:

KPI – The gross financial value of binding commitments towards vessel acquisitions, newbuildings and vessel retrofits, which by being equipped with Alternative Fuel Source engines contribute to significant reductions of CO₂ emissions compared to vessels running on conventional fuel^{1&2}.

It is PGA’s interpretation that a signed contract for a defined amount meets the criteria of being a ‘committed gross financial value’.

PGA has further assessed the KPI performance against the Sustainability Performance Target (SPT) as reported in SFL’s Sustainability-Linked Bond Framework:

SPT – By the Target Observation Date, SFL aims to have committed an amount at least equal to the size of the issue on upgrades of existing vessels and/or vessel acquisitions consistent with the KPI^{1&2}.

On April 29, 2021, SFL placed USD 150 million in senior unsecured sustainability-linked bonds due 12 May 2026³.

The KPI and related SPT are evaluated on an accumulated basis. Any new bonds issued under the framework will be included in the accumulated total, which will be compared to the total financial value of binding commitments. The review by PGA was conducted for accumulated figures as of December 31, 2022.

Procedures

The following activities have been performed

- Review of the calculation of KPI, and its performance against the SPT, both as defined in ‘Criteria’.
- Review of reported gross committed financial value against signed contracts for vessel newbuildings.
- Review of fuel source of vessels ordered against signed contract.
- Review of KPI as reported by SFL 16.01.2023 against the underlying calculation of KPI.

¹ SFL SLB framework: <https://www.sflcorp.com/wp-content/uploads/SFL-SLB-framework-22-April-2021-1.pdf>

² Second Party Opinion: <https://www.sflcorp.com/wp-content/uploads/SFL-SPO-22-April-2021.pdf>

³ <https://www.sflcorp.com/sfl-successful-placement-of-5-year-inaugural-sustainability-linked-bonds/>

Conclusion

Based on the procedures we have performed, and the evidence we have obtained, nothing has come to our attention that causes us to believe that the KPI of USD 304,5 million as at 31.12.2022, reported by SFL 16.01.2023 is not prepared, in all material respects, in accordance with the applicable criteria. The issued bond amount per 31.12.2022 was USD 150 million. As such, the reported KPI performance exceeds the SPT per 31.12.2022.

Disclaimer

Position Green Advisory AS (PGA) is the author of this verification. PGA has no responsibility for the accuracy of the information provided by the Issuer in order for PGA to conduct this review – and PGA is not responsible for information completeness, accuracy, correctness or fitness for a particular purpose. In commissioning this verification, the Issuer agrees to accept full liability for its use and misuse of the opinion and PGA shall not be liable for any such use and misuse.

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Oslo, January 19, 2023

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About Position Green Advisory

Position Green Advisory (PGA) is the advisory branch of the Position Green Group, a Nordic leader in sustainability software and advisory. PGA provides expertise on environmental, social and governance (ESG) risk and compliance. The firm applies leading global ESG standards when conducting Company assessments, benchmarking, and gap analysis.

PGA has worked with over 150 public and private entities across all industries, most notably the maritime sector, oil and gas, renewables, defence, real estate, technology, and financial services. PGA also serves as a trusted advisor to public institutions such as the United Nations, the World Bank, and governmental agencies, as well as various NGOs and foundations.

PGA is a member of the Marine Transportation Advisory Group of the Sustainability Accounting Standards Board (SASB)/Value Reporting Foundation, an accredited CDP provider and a Certified Training Partner of the GRI. PGA is a signatory to the principles of the International Capital Market Association (ICMA). PGA applies the International Standard on Quality Control 1 (ISQC) framework required for e.g. ISAE 3000 assignments.



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