



REPORT

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**ENVIRONMENTAL  
SOCIAL  
GOVERNANCE**

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2020

PUBLISHED APRIL 2021

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





7 594 354

DEADWEIGHT TONNAGE  
ALL ASSETS<sup>1</sup>

471

REVENUE USD  
(MILLION)

25.7

EQUITY  
RATIO

5 300 880

TOTAL DISTANCE TRAVELLED  
BY ALL ASSETS

966

NUMBER OF SHIPBOARD PERSONNEL  
FOR OPERATED FLEET

16 836

OPERATING DAYS FOR  
OPERATED FLEET

8 777

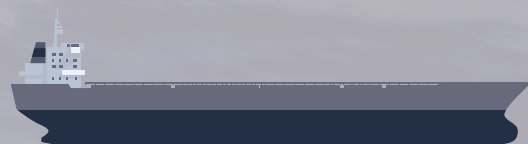
NUMBER OF VESSEL PORT  
CALLS FOR ALL VESSELS

## ASSETS AS OF YEAR END 2020



50 LINERS

22 DRY BULK



9 TANKERS

3 OFFSHORE



**ESTABLISHED IN** 2003, SFL Corporation Ltd (SFL) has developed from a pure tanker owning company to one of the world's largest ship-owning companies, with investments in the tanker, bulker, container and offshore segments and a significant charter backlog. SFL was listed on the New York stock Exchange in 2004 and has paid dividends every quarter since (NYSE: SFL).

## 1. INTRODUCTION

Looking back on 2020, the big story is the impact of the Covid-19 pandemic on the global economy and societies. SFL has managed to navigate the crisis while growing more resilient and we credit this to the dedication and hard work of our employees and business partners.

Seeing this pandemic in a broader context, our interconnectedness and dependence on the international economy are evident. The role of shipping has been critical in making the world move forward despite challenging and uncertain times. In the midst of the pandemic, the attention to climate change mitigation has continued to evolve throughout 2020. SFL will continue the development of efficient shipping solutions in the transition towards a low carbon future.

The initial strategy on reduction of GHG emissions from ships established by the International Maritime Organisation (IMO)<sup>2</sup> requires increased efforts to reduce CO<sub>2</sub> emissions in our sector. The EU Taxonomy<sup>3</sup> will pave the way for clearer definitions for sustainable solutions, and the taxonomy criteria for the shipping industry may spur a quicker transition. Consequently, investor expectations of ESG-governance and environmental performance will continue to rise.

SFL relies on cost efficient financing and potential emission regulations as well as customer expectations may increasingly affect the value of our physical assets. SFL is committed to enhancing our fleet's efficiency and thereby reducing emission of greenhouse gases. Although we have already implemented a number of efficiency measures, we will accelerate our fleet optimization and renewal plan to meet the CO<sub>2</sub> emission reduction ambitions as defined by the IMO. 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.

Vessel design and speed are material drivers of emissions. Since our customers generally control the speed and trade routes of the assets we own, SFL's main impact on emissions performance will be influenced by the design of our fleet, operational approaches and optimizations through our asset development program.

To support our ambitions, we have decided to further strengthen our sustainability management this year. In 2020, SFL conducted a materiality analysis in order to identify our main sustainability priorities. We also initiated a Climate Risk review based on the TCFD framework<sup>4</sup>. Furthermore, we started implementing our enhanced ESG management system in the form of a digital platform enabling more efficient and accurate monitoring, management and reporting of ESG issues. The platform will be further optimized in 2021.


This ESG report seeks to provide investors and other stakeholders with easy access to material information on environmental, social and governance factors. Our report has been prepared in accordance with the Marine Transportation framework established by the Sustainability Accounting Standards Board (SASB). Furthermore, we have incorporated the principles of the UN Global Compact. For those who are assessing companies based on the framework of the Global Report Initiative (GRI), we have developed a GRI index (core option), [available on our website](#). The report and data cover the period 1st January to 31st December 2020.





Trym Otto Sjølie  
COO  
SFL Management AS

<sup>1</sup> Includes assets on BB contracts as well as SFL operated assets on TC and Spot contracts.  
<sup>2</sup> Adoption of the initial IMO strategy on reduction of GHG emissions from ships  
<sup>3</sup> EU taxonomy for sustainable activities  
<sup>4</sup> TCFD Recommendations

# 2. SUSTAINABILITY ACCOUNTING STANDARD DISCLOSURES

TOPIC	ACCOUNTING METRIC	UNIT OF MEASURE	DATA 2019	DATA 2020	SCOPE BY CONTRACT	CODE
<div></div> <div>GREENHOUSE GAS EMISSIONS</div>	CO <sub>2</sub> EMISSIONS					
	Gross global Scope 1 emissions: Financial control <sup>a</sup>	Metric tons (t) CO <sub>2</sub> -e	3 986 648	3874 314	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	Description		See page 8		TR-MT-110a.2
	Gross global Scope 2 emissions: Financial control <sup>b</sup>	Metric tons (t) CO <sub>2</sub> -e	Not reported	18.6	All sites	Additional
	ENERGY CONSUMED					
	(1) Total energy consumed	Gigajoules (GJ), Percentage (%)	27 302 364, 100%	21 088 645 100%	Operated fleet	TR-MT-110a.3
	(2) percentage heavy fuel oil	Gigajoules (GJ), Percentage (%)	23 026 358, 84%	11 176 982 53%	Operated fleet	
	EEDI/INTENSITY					
	Average Energy Efficiency Design Index (EEDI) for new ships <sup>c</sup>	Grammes of CO <sub>2</sub> per ton-nautical mile	2.18	NA	Operated fleet	TR-MT-110a.4
	Average Efficiency Ratio (AER) per vessel type	Grammes of CO <sub>2</sub> per ton-nautical mile	Not reported	Bulkers 3.9 Tankers 3.2 Containers 6.7 Car carriers 20.9	Operated fleet	Additional
AIR QUALITY	OTHER EMISSIONS TO AIR					
	(1) NO <sub>x</sub> (excluding N <sub>2</sub> O) <sup>d</sup>	Metric tonnes (t)	93 439	38 475	Operated fleet	TR-MT-120a.1
	(2) SO <sub>x</sub> <sup>d</sup>	Metric tonnes (t)	55 499	4 238	Operated fleet	
	(3) Particulate matter <sup>d</sup>	Metric tonnes (t)	6 957	1 243	Operated fleet	
ECOLOGICAL IMPACTS	MARINE PROTECTED AREAS					
	Shipping duration in marine protected areas or areas of protected conservation status <sup>e</sup>	Number of travel days	1 521/695	394/177	All vessels/ Operated fleet	TR-MT-160a.1
	IMPLEMENTED BALLAST WATER					
	(1) Exchange <sup>f</sup>	Percentage (%)	98%	28	Operated fleet	TR-MT-160a.2
	(2) Treatment <sup>f</sup>	Percentage (%)	53%	72	Operated fleet	
	SPILLS AND RELEASES TO THE ENVIRONMENT					
	(1) Number <sup>g</sup>	Number	0	0	Operated fleet	TR-MT-160a.3
	(2) Aggregate volume <sup>g</sup>	Cubic meters (m <sup>3</sup> )	0	0	Operated fleet	

TOPIC	ACCOUNTING METRIC	UNIT OF MEASURE	DATA 2019	DATA 2020	SCOPE BY	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 <sup>h</sup>	Number	348/96	729/119	All vessels/ Operated fleet	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	Operated fleet	TR-MT-510a.2
	FACILITATION PAYMENTS					
	Number of incidents where bribes have been requested	Number	Not reported	0	Operated fleet	Additional
	FINES AND SANCTIONS					
	Number of fines and total monetary value of fines	Number, reporting currency	Not reported	0	Operated fleet	Additional
	Non-monetary sanctions for non-compliance with laws and/or regulations	Number	Not reported	0	Operated fleet	Additional
EMPLOYEE HEALTH & SAFETY	LOST TIME INCIDENT RATE					
	Lost time incident rate (LTIR) <sup>i</sup>	Rate	0.68	1.33	Operated fleet	TR-MT-320a.1
 ACCIDENT & SAFETY MANAGEMENT	MARINE CASUALTIES					
	Incidents <sup>j</sup>	Number	0	0	Operated fleet	TR-MT-540a.1
	Very serious marine casualties <sup>k</sup>	Percentage (%)	0	0	Operated fleet	
	CONDITIONS OF CLASS					
	Number of Conditions of Class or Recommendations <sup>l</sup>	Number	0	0	Operated fleet	TR-MT-320a.1
	PORT STATE CONTROL					
	(1) Deficiencies <sup>m</sup>	Rate	0.94	0.48	Operated fleet	TR-MT-540a.3
	(1) Detentions <sup>m</sup>	Number	1	0	Operated fleet	
DIVERSITY	DIVERSITY					
	Shipboard employees by gender	Percentage (%)	Not reported	Male: 99.8 Female: 0.2	Operated fleet	Additional
	Shipboard employees by age group	Percentage (%)	Not reported	< 30 years old: 30.8 30-50 years old: 53.2 > 50 years old: 16	Operated fleet	Additional
	Onshore employees by gender	Number	Not reported	Male: 7 Female: 8	HQ	Additional
	Onshore employees by age group	Number	Not reported	< 30 years old: 3 30-50 years old: 9 > 50 years old: 3	HQ	Additional
	Individuals in the organization's governance bodies by gender	Number	Not reported	Male: 4 Female: 1	HQ	Additional
	Individuals in the organization's governance bodies by age group	Number	Not reported	< 30 years old: 0 30-50 years old: 2 > 50 years old: 3	HQ	Additional



SASB ACTIVITY METRICS 2020

ACTIVITY METRIC	UNIT OF MEASURE	DATA 2020	SCOPE BY CONTRACT	CODE
Number of shipboard personnel <sup>1</sup>	Number	966	Operated fleet	TR-MT-000.A
Total distance travelled by vessels <sup>2</sup>	Nautical miles (nm)	5 300 880	All assets	TR-MT-000.B
Operating days <sup>3</sup>	Days	16 836	Operated fleet	TR-MT-000.C
Deadweight tonnage	Thousand deadweight tons	7 594.354/5 092.307	All assets/Operated fleet	TR-MT-000.D
Number of assets in fleet <sup>4</sup>	Number	87	All assets	TR-MT-000.E
Number of vessel port calls <sup>5</sup>	Number	8 777/1 789	All vessels/Operated fleet	TR-MT-000.F
Twenty-foot equivalent unit (TEU) capacity	TEU	152 885	Operated fleet: all relevant vessels	TR-MT-000.G

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

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

Trym Otto Sjølie, COO



# 3. SUSTAINABILITY GOVERNANCE AT SFL

## ESG PRIORITIES

SFL relies on the SASB framework for our sector to ensure the proper monitoring of material ESG issues. To aid us in prioritizing our sustainability efforts, we conducted a materiality analysis in 2020.

The foundation of the materiality assessment was a long-list of material topics to be evaluated through stakeholder engagement. The long-list was compiled by extracting issues from existing international reporting frameworks (GRI, SASB, TCFD, IIRC, CDP), as well as other frameworks and papers published by financial institutions and contributors such as Euronext and the SEC. An industry analysis was then conducted to make sure that topics currently covered and prioritized by other companies and organizations in the industry were included.

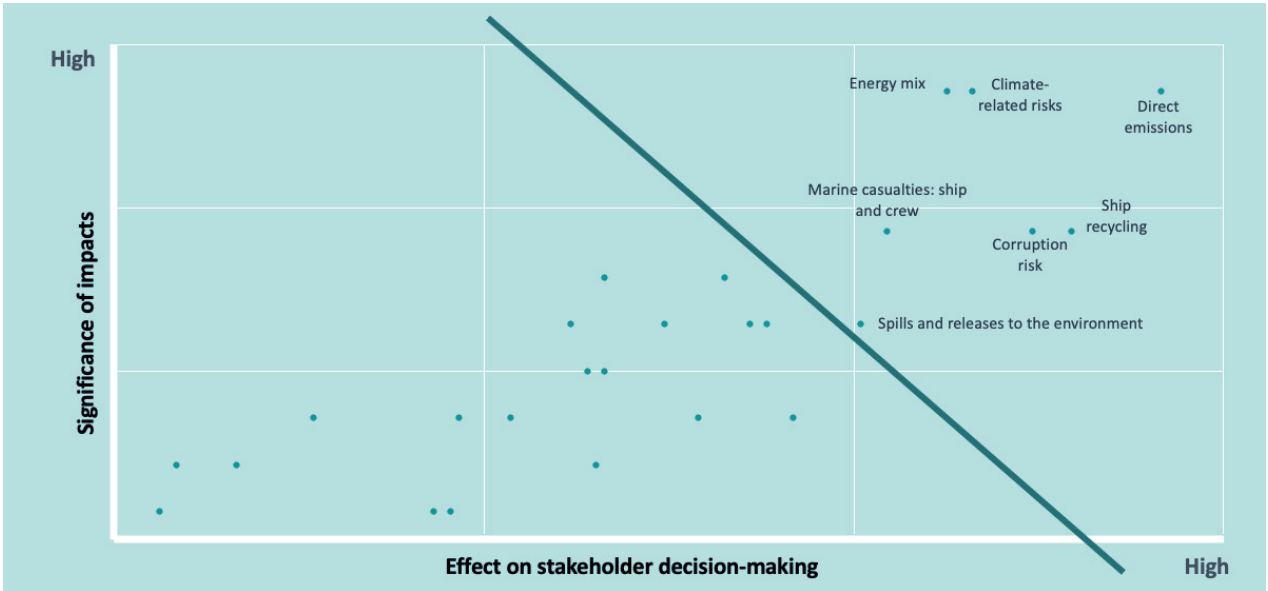
Surveys and interviews were used to gather feedback from our key stakeholders on long-list of topics. The selected stakeholders included investors, customers, business partners, crew, bank relations, analysts, board representatives and a select number of NGOs, e.g. BSM ship management and crew, Maersk, DNB, Nordea, Danske Bank Markets, DNB Markets, ABGSC, Arctic Securities, the WWF, and the Fridtjof Nansen Institute. Feedback from internal stakeholders at SFL was also included.

In accordance with the GRI framework, an assessment of material topics was structured along two dimensions. The first dimension reflects the weight that our stakeholders place on each topic, while the second dimension reflects the significance of SFL's impacts on the economy, environment and society. The assessment was conducted in collaboration with the ESG advisory firm The Governance Group AS to ensure an independent perspective. SFL management has reviewed the findings resulting in the following prioritized material topics:

- Direct emissions
- Energy mix
- Climate-related risks
- Marine casualties involving crew
- Corruption risk
- Ship recycling
- Spills and releases

Separating the topics into *strategic factors* and *hygiene factors* brings clarity as to where we can create additional value from focusing on ESG aspects, and where we need a diligent follow-up to avoid unwanted incidents.

## MATERIAL TOPICS



We see decarbonisation as a strategic priority going forward; this addresses our direct emissions, climate-related risks of regulatory changes, evolving expectations from our customers, as well as access to cost efficient capital. The energy mix in our fleet is dependent on available technologies. While viable low-carbon solutions are yet to be developed, we are ready to make the transition to a lower emission fleet, and this will be taken into account in our future divestment and investment activities.

HSE related matters are already highly prioritized within our organization and in collaboration with our business partners. This includes safety measures for our crew as well as environmental impact. We also have strict programmes for anti-corruption as well as for ship recycling.

On the basis of the materiality assessment, we have selected to focus especially on the UN Sustainable Development Goals (SDGs) 9, 13, 14 and 16 since these goals are closely tied to our industry and represent areas where we have an impact.

In 2021, SFL will establish specific targets for the material areas pinpointed in the assessment described above. In particular, SFL will develop its strategy to address direct emissions and associated climate-related risks.

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.

Together with industry peers such as Avance Gas, Flex LNG, Frontline and Golden Ocean, SFL has established an ESG forum: the goal is to design industry leading approaches to ESG risk management and reporting parameters.

We also support the following initiatives: The Neptune Declaration, the Maritime Anti-Corruption Network (MACN), the Clean Shipping Alliance, and the International Association of Independent Tanker Owners (Intertanko). We also comply with the requirements of Oil Companies International Marine Forum (OCIMF).





GOVERNANCE AND COMPLIANCE

Clear guidance and robust control mechanisms are essential to integrate sustainability, safety and appropriate risk management in our daily operations. We have established policies and control processes to safeguard our employees’ and partners’ diligent management of ESG issues in accordance with these policies. Furthermore, we have implemented a system of compliance monitoring via our Compliance Officer. This includes implementing policies and procedures mitigating the risks of our industry and operations, annual risk assessments, training of employees, third party audits, internal systems and controls, remediation and investigations. All policies and procedures were updated in 2020.

Our Corporate Code of Business Ethics and Conduct is established by the Board of Directors. 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 routinely 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 Audit Committee 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 web-based whistleblowing tool as outlined in our Complaints Procedure. This tool is managed by a third-party service provider, allowing 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 annually.

In March 2021, the Securities and Exchange Commission (SEC) announced the creation of a Climate and ESG task force, signalling its intention to increase its focus on ESG matters. The initial focus of the task force includes potential material gaps or misstatements in issuers’ disclosure of climate risks under existing rules. SFL is actively monitoring these developments to ensure that our reporting on ESG and climate risks are aligned with the SEC requirements.

MATERIAL ISSUE	INTERNAL GOVERNANCE DOCUMENTS	INTERNATIONAL STANDARDS AND REFERENCES
Climate change	Environmental Policy	The Paris Agreement The Intergovernmental Panel on Climate Change (IPCC) Initial IMO Strategy on Reduction of GHG Emissions from Ships
Air emissions	Environmental Policy	IMO MARPOL Convention Annex VI EU Sulphur Directive 2016/802 UNCLOS
Ecological impact	Environmental Policy 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 Know Your Business Partner 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 Know Your Business Partner Policy	International Management Code for the Safe Operation of Ships and for Pollution Prevention (The ISM Code) Marine Crew Resource Management





## 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 ability to manage such risks are vital for protecting the environment, the sector, our customers and our own business.

SFL has monitoring and management tools in place to ensure compliance with international and local regulations. We review 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 managers have implemented Management Systems that are ISO-compliant and in accordance with the ISM Code.

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 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.

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. Following a review of SFL based on the framework established by the Task Force on Climate-related Financial Disclosures (TCFD)<sup>2</sup>, we are committed to increasing our ships' efficiency and reducing the greenhouse gasses emitted from our vessels in line with the IMO strategy.

In 2020, we started rolling out a digital platform to track vessel fuel efficiency. Live tracking of each of our vessels' emissions and energy consumption is an important tool to monitor energy efficiency and emissions in accordance with regulations and our own targets.

SFL supports UN SDG 13 – targeting the global fight against climate change, as well as UN SDG 9 – targeting the upgrade of transport infrastructure to make it sustainable, with increased resource efficiency. This is in line with the IMO strategy towards 2030. The key actions to achieve this is through our efforts to lower our fleet's CO<sub>2</sub> emissions by increasing efficiency, upgrading engine technology and fleet renewal.

In January 2020, the IMO 2020 came into effect placing a 0.5% global cap on sulphur dioxide (SO<sub>x</sub>) content in shipping fuels. In combination with the NO<sub>x</sub> 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 SO<sub>x</sub> emissions from both operated and non-operated vessels. As of April 2021, 30 of our vessels were fitted with scrubbers, representing more than a third of our fleet. *In 2020, our SO<sub>x</sub> emissions were reduced by 92 per cent compared to 2019 levels.* According to recent studies, using scrubbers while burning residual fuels will help reducing global CO<sub>2</sub> emission levels.<sup>3</sup>



### 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 vessel collisions typically have the most serious consequences. SFL had no spills during 2020.

Whilst ballast water is essential for 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 ecosystems and biological diversity.<sup>4</sup> 28 per cent of our owned and operated vessels utilize ballast water exchange systems, and 72 per cent have installed treatment technology (BWTS)<sup>5</sup>: *We increased the BWTS coverage rate by 19 per cent over the course of 2020.* Our investment plan will ensure full compliance with the International Convention for the Control and Management of Ships' Ballast Water and Sediments, 2004 (BWM Convention).

Ships contain hazardous materials, and ship recycling must therefore 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. SFL has implemented a Ship Recycling Policy to make sure that any future recycling of SFL's ships may only take place at an approved yard at minimum compliant with the Hong Kong Convention, and any recycling must be conducted in an ethical, safe and environmentally friendly manner. The latter is defined by e.g. the ten principles of the UN Global Compact.

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, including when our ships are sailing in marine protected areas.

ACCOUNTING METRIC	UNIT OF MEASURE	DATA 2020
<b>CO<sub>2</sub> EMISSIONS</b>		
Gross global Scope 1 emissions	Metric tonnes (t) CO <sub>2</sub> -e	<b>3 874 314</b>
<b>ENERGY CONSUMED</b>		
(1) Total energy consumed	Gigajoules (GJ), Percentage (%)	<b>21 088 645, 100%</b>
(2) Percentage heavy fuel oil	Gigajoules (GJ), Percentage (%)	<b>11 176 982, 53%</b>
<b>EEDI</b>		
Average Energy Efficiency Design Index (EEDI) for new ships	Grammes of CO <sub>2</sub> per ton-nautical mile	<b>NA</b>
<b>OTHER EMISSIONS TO AIR</b>		
(1) NO <sub>x</sub> (excluding N <sub>2</sub> O)	Metric tonnes (t)	<b>38 475</b>
(2) SO <sub>x</sub>	Metric tonnes (t)	<b>4 238</b>
(3) Particulate matter	Metric tonnes (t)	<b>1 243</b>
<b>MARINE PROTECTED AREAS</b>		
Shipping duration in marine protected areas or areas of protected conservation status	Number of travel days	<b>394/177</b>
<b>IMPLEMENTED BALLAST WATER</b>		
(1) Exchange	Percentage (%)	<b>28</b>
(2) Treatment	Percentage (%)	<b>72</b>
<b>SPILLS AND RELEASES TO THE ENVIRONMENT</b>		
(1) Number	Number	<b>0</b>
(1) Aggregate volume	Cubic meters (m <sup>3</sup> )	<b>0</b>

<sup>1</sup> IMO initial GHG strategy

<sup>2</sup> TCFD recommendations

<sup>3</sup> New Study Confirms Scrubbers Would Aid Global CO<sub>2</sub> Reduction, World Maritime News, August 19 2019

<sup>4</sup> Ballast water management - DNV GL

<sup>5</sup> Vessels on bareboat contract were not part of this calculation





# 5. SAFETY, LABOUR CONDITIONS AND HUMAN RIGHTS

Providing safe and healthy labour conditions, a supportive environment and opportunities for employees 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 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 web-based compliance solution – 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. Our fleet managers meet all ship managers on a monthly basis going through all incidents related to safety and 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 or 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 are to be reported, and proactive measures are taken to ensure that we encourage our crew to report these without hesitation. SFL adheres to industry best practice according to the OCIMF

TMSA framework when investigating incidents, and we take actions to prevent similar incidents from reoccurring.

Our Lost Time Incident Rate (LTIR) was 1.33 in 2020, compared to 0.68 in the previous year. The LTIR increase is closely related to the Covid-19 pandemic. Vessels have been instructed by managers to exert extreme caution and isolate any crew members displaying any symptoms related to the official list of Covid-19 symptoms. Naturally, these instances have been registered as LTIs. Whilst we are confident the trend is in part explained by a more stringent risk management approach in the pandemic, we also see a contribution from the delayed crew changes. It is well known that the closed borders from March to mid-June 2020 meant that crew overstayed their contractual time onboard. The extended time onboard caused high levels of fatigue, a known risk factor for safety, that may explain the trend we observed in 2020.

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.

## 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, and that no employee is discriminated based on nationality, race 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.

## DIVERSITY

SFL prohibits discrimination against any employee or any other person on the basis of sex, race, colour, age, religion, sexual preference, marital status, national origin, disability, ancestry, political opinion, or any other basis.



SFL is an international company with shipboard employees from across the world. The main nationalities amongst our employees are Thai, Bangladeshi, Indian, Philippine, Russian, Ukrainian, Sri Lankan and Georgian. Our shipboard employees are predominantly men, whilst women make up 53 per cent of our onshore employees.

## HUMAN RIGHTS

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. In 2020, SFL established its Know Your Business Partner Policy to ensure compliance with the company’s ethical standard in all business relations.

ACCOUNTING METRIC	UNIT OF MEASURE	DATA 2020
LOST TIME INCIDENT RATE		
Lost time incident rate (LTIR)	Rate	1.33
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	0.48
(2) Detentions	Number	0





## 6. ANTI-CORRUPTION AND BUSINESS ETHICS

For corporations 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 and integrity are key values for SFL. These values are embedded in our way of working with customers, business partners, 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 are provided to employees as part of their onboarding 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, Anti-corruption, Confidentiality and Privacy. Any deviations from our Code are to be reported to the line manager or by making use of our web-based compliance solution as outlined in our Complaints Procedure. SFL has not been involved in any legal proceedings associated with bribery, corruption or anti-competition in 2020.

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 will come only if they are supported by and beneficial to key stakeholders.



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.

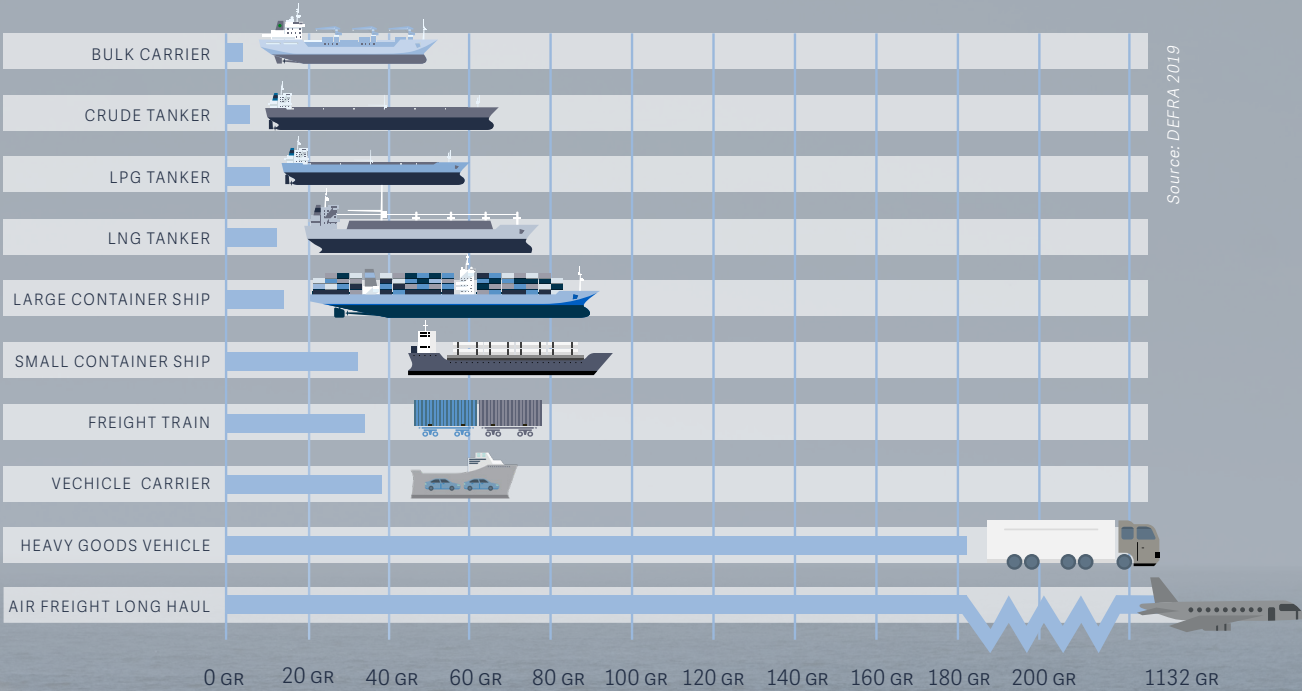


ACCOUNTING METRIC	UNIT OF MEASURE	DATA 2020
CORRUPTION INDEX		
Number of calls at ports in countries that have the 20 lowest rankings in Transparency International's Corruption Perception Index	Number	729/119
CORRUPTION		
Total amount of monetary losses as a result of legal proceedings associated with 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>CO<sub>2</sub> emissions – scope 1:** 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.
- <sup>b</sup>CO<sub>2</sub> emissions – scope 2:** Based on electricity consumption in reporting year, and calculated using conversion factors from NVE’s electricity disclosure statement for power suppliers 2019 and AIB Residual Mixes 2019.
- <sup>c</sup>Average Energy Efficiency Design Index (EEDI) for new ships:** New ships average EEDI is based on new ships entering the fleet in 2020 (keel laid after July 2013).
- <sup>d</sup>Particulate matter (PM), NOX, SOX emissions (Metric tonnes):** Deviations from 2019 numbers are highly influenced by the IMO 2020 requirements entry into force and may partly also be affected by our updated reporting methodology. The updated methodology has been developed with support from DNV.
- <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). 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. Shipping duration is the sum of the travel days (24-hour periods).
- <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>)):** The total number of oil spills to the environment (overboard), excluding contained spills.
- <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 2020.
- <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. Lost time incidents are Fatalities, Permanent Total Disabilities, Permanent Partial Disabilities and Lost Workday Cases. 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 section 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. Section 1.1.7 “Severe damage to the environment” is reported under ‘Ecological Impacts’ and/or “Very serious marine casualties”. Incidents concerned with oil spills, re SASB 1.1.7 “Severe damage to the environment” is covered under “ecological impact”. For an event to be reported as a marine casualty, one or several out of the below criteria must be true: (1) the loss of a person from a ship, (2) the loss, presumed loss, or abandonment of a ship, (3) the stranding or disabling of a ship that triggered a Lloyds Open Form Salvage or the involvement of a ship in a collision that would seriously endanger the safety of life or property. (4) material damage to marine infrastructure external to a ship, that could seriously endanger the safety of the ship, another ship or an individual.
- <sup>k</sup>Very Serious Marine Casualties:** A marine casualty involving the total loss of the ship, a death, or severe damage to the environment that is not related to oil spill. Any deaths shall be reported. If the death is decisively concluded not to have anything to do with a marine (very serious) casualty such as latent and unknown illness shall be addressed separately for a case-by-case discussion. Severe damage to the environment that is not related to oil spill is covered by “Very serious marine casualties”.
- <sup>l</sup>Number of Conditions of Class or Recommendations:** Those conditions/recommendations of class that has led to withdrawal of vessel certificates of otherwise has invalidates the ship’s compliance are included in this figure.
- <sup>m</sup>Number of port state control (1) deficiencies and (2) detentions:** Number of port state control deficiencies and detentions. Practices of port state controls reporting on deficiencies do not follow an entirely harmonised 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. The figure represents number of detentions received from regional PSC organisations.
- <sup>n</sup>Number of shipboard employees:** Only the number of employees on board ships at any time are recorded, this does not reflect the aggregate number of shipboard employees during the year.
- <sup>o</sup>Total distance travelled by vessels:** The distance (in nautical miles) travelled by all vessels during the reporting period.
- <sup>p</sup>Operating days:** Total operating days, i.e., total number of vessel-days for active vessels during the reporting year. Active vessels are referring to vessel(s) which were in possession of the shipowner during the reporting year.
- <sup>q</sup>Number of assets in fleet:** Reported number of owned assets at the end of the reporting year.
- <sup>r</sup>Number of vessels port calls:** Total number of port calls during the reporting period.





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