

A large ship, the 'ODIN HIGHWAY', is shown from a low angle, appearing to float on a dark blue background. The ship's hull is white, and the name 'ODIN HIGHWAY' is printed in a dark, sans-serif font on the side. The top of the ship, including the deck and superstructure, is visible against a light blue sky with wispy clouds. The overall image has a blue-toned, slightly grainy texture.

ODIN HIGHWAY

# ESG REPORT 2023



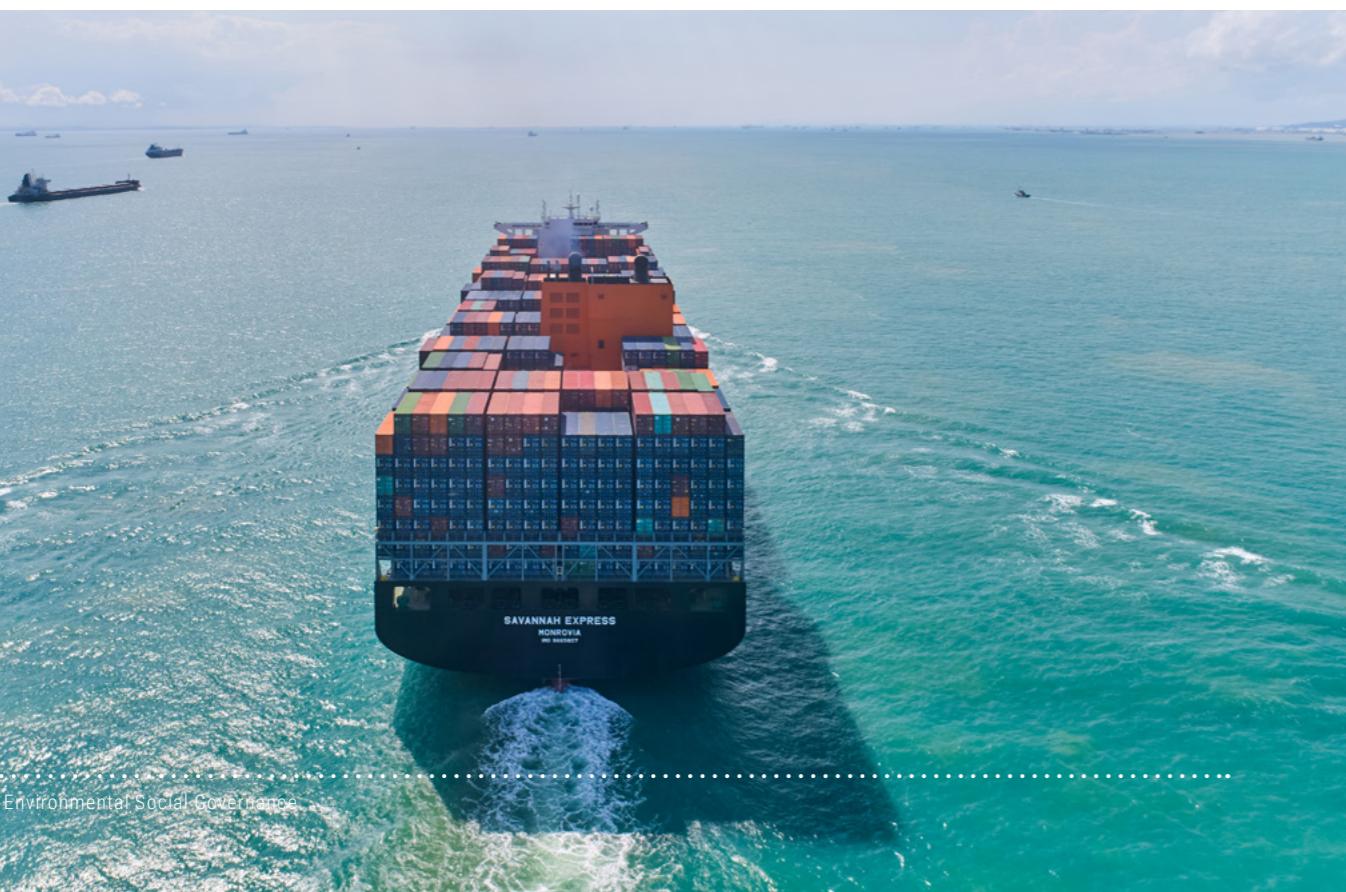
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## ABOUT SFL

Established in 2003, SFL Corporation Ltd. ("SFL" or the "Company") has developed from a pure tanker-owning company to one of the world's largest ship owning companies. SFL was listed on the New York Stock Exchange (NYSE) in 2004 and has paid dividends every quarter since.

The Company is primarily engaged in the ownership, operation and chartering our vessels and offshore-related assets on medium and long-term charters. This report covers 75 (60) units that were active during the reporting year, including tankers, dry bulk, container vessels, car carriers and offshore assets. Our diversified fleet gives us the flexibility to continue building our distribution capacity irrespective of fluctuations. The Company's goal is to maintain a portfolio of high-quality assets and long-term charters with strong charter counterparts. The key to achieving this goal is to constantly improve our fleet's emissions and fuel efficiency in cooperation with our partners and clients.



## SASB ACTIVITY METRICS

ACTIVITY METRIC	UNIT OF MEASURE	DATA 2021	DATA 2022	DATA 2023	SCOPE OF CONTRACT **	SASB REFERENCE
Number of shipboard personnel <sup>n</sup>	Number	1,176	1,260	<b>1,501</b>	Operated fleet; Linus; Hercules	TR-MT-000.A
Total distance travelled by vessels <sup>o</sup>	Nautical miles (nm)	3,195,813	3,751,314	<b>3,531,924</b>	Operated fleet; Linus; Hercules	TR-MT-000.B
Operating days <sup>p</sup>	Days	17,406	19,239	<b>20,295</b>	Operated fleet	TR-MT-000.C
Deadweight tonnage	Deadweight tonnes	8,502,783 / 6,049,572	8,708,995 / 7,072,440	<b>7,793,462 / 6,513,711</b>	All assets / operated fleet	TR-MT-000.D
Number of assets in fleet <sup>q</sup>	Number	70 / 56	77 / 60	<b>75 / 60</b>	All assets / operated fleet	TR-MT-000.E
Number of vessels port calls <sup>r</sup>	Number	1,986	2,006	<b>2,399</b>	Operated fleet	TR-MT-000.F
Twenty-foot-equivalent unit (TEU) capacity	TEU	316,885 / 199,785	322,790 / 205,690	324,700 / 207,600	All relevant vessels	TR-MT-000.G

\* All letter references are indexed and listed on 31 in this document, containing definitions and assumptions to the information provided

\*\* Note that the data for all years are updated with the scope indicated to ensure data consistency.

## ABOUT THIS REPORT

The disclosures in this report aim to provide analysts and other key stakeholders with material ESG information. SFL's report has been prepared on a consolidated basis in accordance with the SASB Marine Transportation Standard (2023) and with reference to the Global Reporting Initiative (GRI) Standards. The report presents our material environmental, social and governance (ESG) performance in our operations and value chain, along with how we manage material sustainability matters, for the financial year ending December 31, 2023.

For report questions or feedback, please email us at [trym.sjolie@sflcorp.com](mailto:trym.sjolie@sflcorp.com) or see contact details on the back cover of this report.

## KEY HIGHLIGHTS



**98.3%**

BALLAST WATER TREATMENT SYSTEMS INSTALLED



**3.2 bn**

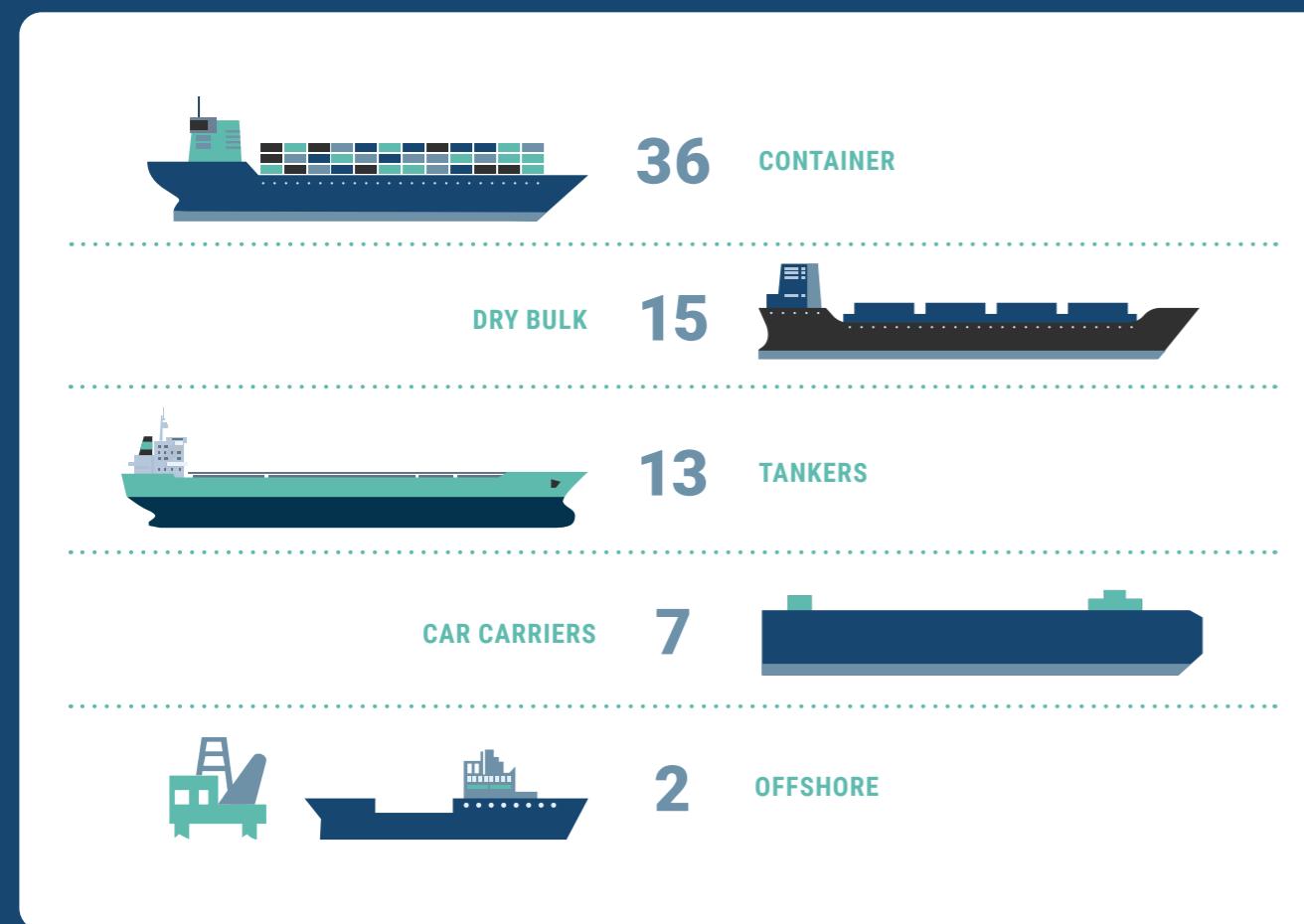
CHARTER BACKLOG



**4**

NEWBUILDINGS WITH ALTERNATIVE FUEL TECHNOLOGY

## OWNED ASSETS AS OF YEAR-END 2023



\*Including partly owned vessels and acquired vessels yet to be delivered to SFL as of December 31, 2023

## INTRODUCTION



in a good position to make operational and strategic decisions based on verified data.

We are committed to progress in our journey towards decarbonisation with the support from banks by obtaining sustainability-linked financing of our fleet. At the start of 2023, SFL successfully placed USD 150 million senior unsecured sustainability-linked bonds due in 2027, listed on the Oslo Stock Exchange. The net proceeds will be used to refinance existing bonds and for general corporate purposes.

SFL remains committed to providing a safe and diverse place of employment for all, where human rights are respected, and employees have an excellent working environment. Human rights and HSE-related matters remain a top priority for us and our business partners. This includes safety measures for our crew as well as environmental impact, anti-corruption, and ship recycling. In 2023, SFL screened all shipyards used for dry docking and newbuildings and assessed the risks of potential human rights impacts. In 2024, we aim to continue our work with external testing, including spot checks and on-site visits to key business partners.

This ESG report aims to provide investors and other stakeholders with material information on environmental, social and governance factors. We strive to make our disclosures clear and accessible, and we welcome any questions or suggestions you may have. Thank you for taking the time to review this report.



**TRYM OTTO SJØLIE**  
Chief Operating Officer  
SFL Management AS

# ESG AT SFL



At SFL, ESG is a core aspect of how we work and is fully integrated into our business model. We believe that clear guidance and robust control mechanisms are essential to safeguard the proper handling of sustainability risks in our daily operations. Our ESG framework reflects the incorporation of the UN Global Compact principles in our operations and our value chain.

We have established policies and control processes to manage our employees and partners and to ensure compliance with all applicable international and local laws and regulations. All of SFL's ESG-related policies and procedures were updated in 2023 and the external documents are available on our website.

## SFL's governing instruments on ESG:

- Code of Business Ethics and Conduct
- Compliance Policy
- Complaints Procedure (Whistleblowing Policy)
- Environmental Policy
- Ship Recycling Policy
- Know Your Business Partner Policy
- Sanction Policy
- Financial Crime Policy
- Privacy Policy

## MANAGEMENT OF ESG

The Board of Directors (BoD) is ultimately responsible for ESG at SFL. The BoD oversees the Company's strategy, including our decarbonisation strategy, and ensures that appropriate and effective ESG-related risk management and internal control systems are in place. The BoD also reviews SFL's corporate governance framework on an annual basis. The BoD has considered important ESG matters throughout the year and reviewed our annual ESG report. As an example, the BoD has considered and approved the Company's GHG accounting and emission targets, alongside decisions regarding divestment and investment in assets with varying emission profiles. The BoD's Audit Committee ensures oversight of key ESG risks and external reporting and receive regular updates on ESG reporting processes. In 2023, particular focus was dedicated to the Company's preparations for the Corporate Sustainability

Reporting Directive (CSRD). The Committee also monitors reports and complaints received by the Company relating to internal controls and compliance. All incidents are reported to the BoD in an annual review.

The Chief Executive Officer (CEO) oversees the daily implementation of ESG at SFL, ensuring our commitment to environmental, social and governance principles. The Chief Operating Officer (COO) carries the responsibility for the overall implementation of ESG-related policies and to establish monitoring and reporting processes concerning ESG-related risks and performance. Technical managers are the primary responders to handle incidents promptly. The technical management of our vessels, including crewing, is outsourced to several leading third parties, closely guided and evaluated by our fleet managers.

## MATERIAL TOPICS AND KEY TARGETS

Identifying material ESG impacts, risks and opportunities remains at the core of SFL's business strategy. Our strategy is guided by the most relevant ESG topics to our industry and by where we can make a substantial contribution to our environmental, social and economic performance. Addressing material topics helps us streamline our sustainability efforts, allocate resources effectively and report on progress in a meaningful way.

In 2020, the Company conducted its first comprehensive materiality assessment following the GRI 3 Materiality Standard and the SASB Marine Transportation Standard (2018). In 2023, we reviewed these topics by consulting with key stakeholders across our operations and value chain. Our stakeholders include affected stakeholders, such as employees, suppliers, customers and non-governmental organisations (NGOs), as well as users of our ESG report, such as banks, analysts and investors. We engage with these stakeholders on an ongoing basis and have close relationships with them. These various forms of engagements allow us to get a comprehensive view of what our stakeholders regard as important, which is valuable when identifying our material topics.



Our review of actual and potential material impacts considered both the severity and the likelihood of our impacts on environmental, social and governance topics, whereas sustainability-related risks and opportunities considered both the likelihood and the size of their financial effect.

Overall, the following topics have been deemed by the BoD to be material to our ESG efforts:

- Direct GHG emissions
- Low carbon energy sources
- Health and safety involving crew
- Corruption risk
- Human rights
- Spills and releases
- Training – compliance training and training onboard (e-based)

## Key targets to address material topics

	SDGs	MATERIAL TOPICS	TARGET	2023 PERFORMANCE
E	13 Climate Action 	Direct GHG emissions	2% in annual year-on-year AER improvement (fleet average)	<b>2.54</b>
	14 Life Below Water 	Spills and releases	Zero spills	<b>Two minor spills on our jack-up drilling rig Linus – See page 18</b>
S	3 Good Health and Well-Being 	Health and safety involving crew	0% in Lost time injury frequency (LTIF)	<b>0.46</b>
	8 Decent Work and Economic Growth 	Human rights	100% of seafarers covered by Collective bargaining agreements (CBAs)	<b>See page 23</b>
G	4 Quality Education 	Corruption	100% of new business partners screened for ESG compliance annually	<b>100%</b>
	17 Partnerships for the Goals 		Zero monetary losses resulting from any form of corruption	<b>Zero</b>
		Compliance training and training onboard	100% completion rate on compliance training amongst employees, including the management team	<b>100%</b>

## Our CSRD readiness journey

We are currently reviewing our material topics to align with the implementation of the CSRD. This assessment is conducted according to the principles of double materiality and will cover the sector-agnostic topics of the ESRS, as well as any entity-specific topics identified. Following the results of the DMA, the Company will complete an ESRS gap analysis to identify potential data gaps in the current ESG reporting vis-à-vis applicable ESRS requirements. The DMA and the ESRS gap analysis is expected to be completed during the second quarter of 2024. SFL has commissioned the firm Position Green to support the Company in its CSRD readiness journey.

## INDUSTRY COOPERATION

Many of the challenges our industry is facing require joint action. 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 to design industry-leading approaches to ESG risk management and reporting parameters. The aim of this Forum

is to enhance the efficiency of the companies' ESG efforts and contribute to harmonised reporting practices – making communication at management and board levels more effective. In addition, we actively participate in and support the following initiatives and organisations:

- [The Neptune Declaration](#)
- [The Maritime Anti-Corruption Network \(MACN\)](#)
- [The International Association of Independent Tanker Owners \(Intertanko\)](#)
- [Oil Companies International Marine Forum \(OCIMF\)](#)

## ENVIRONMENT



SFL is committed to minimising its environmental footprint through its operational model and fleet utilisation. The Company complies with applicable environmental legislation and proactively seeks to stay ahead of future legislation to meet industry expectations.

The main environmental impacts posed by the shipping industry are related to GHG emissions, nature-related impacts, such as pollution to air and water and biodiversity loss, as well as circular economy. SFL works diligently to manage its impacts, and our efforts are critical for protecting the environment and the societies in which we operate, as well as our customers and our business. We regularly review identified environmental impacts to establish appropriate safeguards and mitigate any adverse impacts on the environment. Moreover, our long-term focus on maintaining a modern, energy-efficient fleet has positioned us well to mitigate our climate-related risks and capitalise on opportunities provided by increasingly stringent environmental laws and regulations, as well as expectations from key stakeholders such as customers, banks and investors.

Our Environmental Policy applies to our entire operations and outlines how we are to reduce emissions through the optimal use of vessels, new technologies and diligent work with our Ship Energy Efficiency Management Plan (SEEMP). Through the Shipman agreement, all ship managers are required to comply with our Environmental Policy. The ship management companies ensure distribution of this policy to all relevant parties in their fleet and incorporate it in the respective vessel's Safety Management System. The Safety Management Systems are annually audited in accordance with the International Safety Management (ISM) Code, and ISO 9001 and ISO 14001, where appropriate. If any breach of the Environmental Policy occurs, we are committed to ensure that an investigation is carried out to establish the root causes and corrective actions are taken to prevent recurrence.

### CLIMATE CHANGE

Maritime shipping is responsible for a significant amount of GHG emissions due to the freight volumes and distances involved. At MEPC80 in June 2023, the International Maritime Organisation (IMO) completed the first revision of its GHG Strategy and strengthened its ambition for reducing GHG emissions from international shipping. The revised strategy and its targets now include to reduce well-to-wake GHG emissions by 20% in 2030 (while striving for 30%) and by 70% in 2040 (while striving for 80%) compared to 2008 levels, as well as to reach net-zero by or around 2050.

Maintaining a modern and energy-efficient fleet remains key to SFL's overall corporate strategy, and we are committed to an investment programme in vessel acquisitions, newbuildings



and retrofits, which can be powered by low or zero carbon solutions. As of December 31, 2023, the average age of our fleet, owned or leased by us, was approximately 11 years. Divesting of older vessels is part of SFL's strategy to continuously renew and diversify its fleet. In 2023, we sold four vessels with an average age of 14.3 years, while taking the delivery of two out of four car carrier newbuildings from Guangzhou Shipbuilding International Co (GSI). The two remaining car carrier vessels were delivered during the first quarter of 2024.

These newbuildings represent a new generation of car carriers that are equipped with dual-fuel technology, enabling the vessel to switch between liquefied natural gas (LNG) and conventional fuels. In addition, all four newbuildings are expected to meet the Energy Efficiency Design Index (EEDI) phase 3 requirements set by the IMO's Marine Environment Protection Committee (MEPC). Based on consumption data collected after delivery of the first two vessels, the Company see a preliminary emission reduction of 30-40% compared to the older car carriers in our fleet. We continuously review our fleet composition to meet the needs of current and potential customers, and we prioritise phasing in new technologies as part of this approach.

## State of the art efficiency programme

Alongside the delivery of new vessels to our fleet, the Company have engaged in multiple decarbonisation projects in collaboration with clients throughout 2023. The Company is currently undertaking decarbonisation upgrades on its time-chartered vessels to Maersk. In 2023, an investment of approximately USD 5.38 million went into energy efficiency projects ranging from Hull and propeller modifications, Variable Frequency Devices (VFDs) and Main Engine Load Optimisers to LED lightings onboard. VFDs and Load Optimisers regulate the speed and torque of motors to run accurately according to the demand. Initiatives such as these reduce the overall fuel consumption and long-term maintenance cost across our fleet of vessels. SFL Maui was delivered to charterer from the dockyard in April 2023, with new designed bulbous bow and energy efficient devices.

The fuel consumption data measured over an 8-month period for this vessel saw a reduction in fuel consumption of up to 19%. In the next 12 months, approximately USD 50 million is expected to be invested in efficiency upgrades on the remaining vessels.

In September 2023, SFL embarked on a project together with Hapag-Lloyd with an aim to increase carrying capacity of an 13,800 TEUs container vessel to save fuel-use and thereby reducing the vessel's carbon footprint. The first vessel, Savannah Express, was delivered to the client in November 2023 with a new carrying capacity of 15,440 TEUs. The efficiency upgrade also improved the vessel's Annual efficiency ratio (AER) by 12% against a comparable period in 2022. The Company estimate an 19% emission reduction per TEU as a consequence of this initiative. An estimated USD 60 million will be allocated toward efficiency upgrades for the remaining vessels.



## Sustainability-linked financing

SFL is committed to progress in its journey towards decarbonisation with the support from the banks by obtaining sustainability-linked financing of its fleet. The Company have developed a Sustainable-Linked Bond Framework in line with the Sustainability-Linked Bond Principles, established by the International Capital Markets Association (ICMA).

At the start of 2022, SFL successfully placed USD 150 million senior unsecured sustainability-linked bonds due in 2027.

In January 2023, SFL commissioned 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.

- Read about our Sustainable-Linked Bond Framework [here](#)
- Read the independent review [here](#)

## Performance in 2023

ACCOUNTING METRIC	UNIT OF MEASURE	CO <sub>2</sub> EMISSIONS			SCOPE OF CONTRACT
		DATA 2021	DATA 2022	DATA 2023	
Scope 1 GHG emissions (financial control) <sup>a</sup>	Metric tonnes (t)CO <sub>2</sub>	1,855,290	2,068,902	2,183,699	Operated fleet; Hercules; Linus
Carbon intensity indicator (CII)	gCO <sub>2</sub> /DWT-nm	Suezmax: 2.75 VLCC: 2.37 Capesize: 2.74 Kamsarmax: 4.79 Handymax: 8.65 Supramax: 6.36 Chem tanker: 14.79 Car carrier: 6.03 Container 1000-1999: 13.43 Container 2000-2999: 7.12 Container 5000-7999: 6.48 Container 8000-11999: 5.81 Container 12000-14999: 5.83	Aframax: 3.87 Suezmax: 3.11 VLCC: 2.46 Capesize: 2.77 Kamsarmax: 4.62 Supramax: 6.03 Chem tanker: 10.20 Car carrier: 5.34 Container 1000-1999: 8.15 Container 2000-2999: 5.76 Container 5000-7999: 6.48 Container 8000-11999: 5.81 Container 12000-14999: 5.83	Aframax: 4.15 Suezmax: 3.23 Capesize: 2.72 Kamsarmax: 3.87 Supramax: 5.61 Chem tanker: 10.28 Car carrier: 5.34 Container 1000-1999: 12.61 Container 5000-7999: 6.03 Container 8000-11999: 5.79 Container 12000-14999: 5.36	Operated fleet

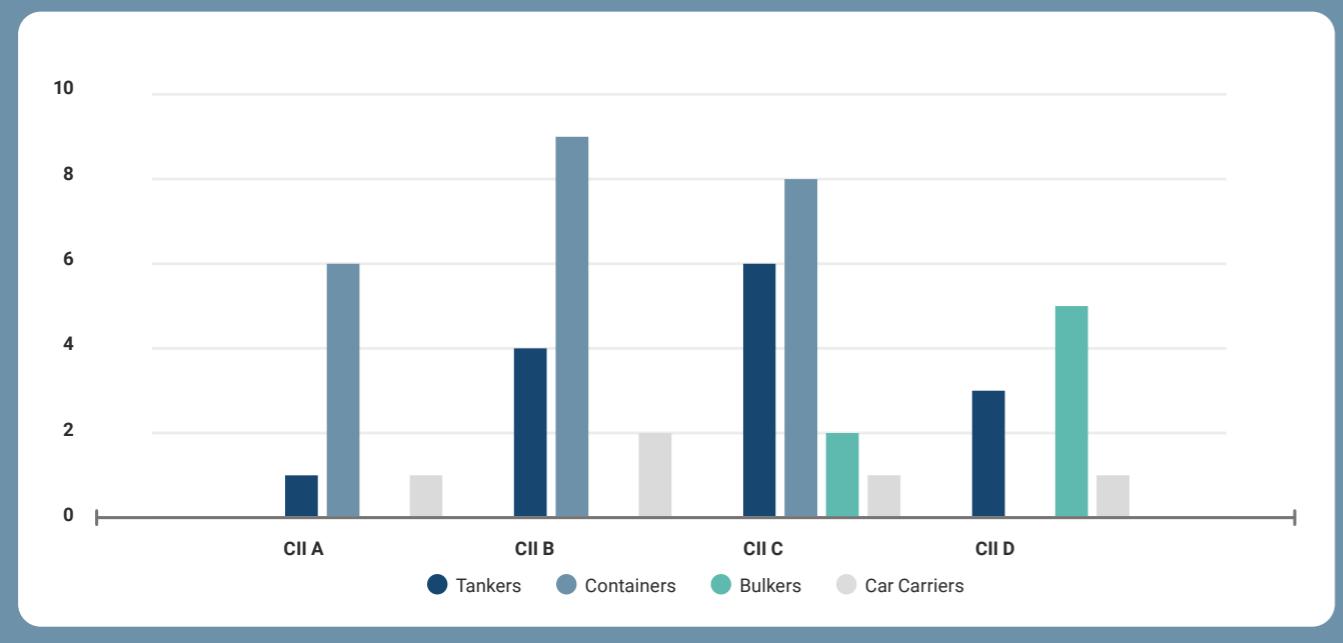
<sup>a</sup> All letter references are indexed and listed on page 31 in this document, containing definitions and assumptions to the information provided

When choosing the financial control criteria in accordance with the GHG Protocol, fleet emissions account for 100% of SFL's direct Scope 1 GHG emissions. In this report the Company includes 60 vessels and two offshore assets as part of its Scope 1 emissions. The remaining 13 assets, which are on long-term bareboat charters to MSC, are not included in this figure. We are currently developing a Scope 3 inventory to get a comprehensive overview of our value chain emissions (see page 13). The emissions from the 13 remaining vessels will be included as part of our indirect emissions going forward. In 2023, our fleet emissions (metric tonnes of CO<sub>2</sub>) increased by 5.4% from 2022. However, our transported work (mDWT) increased by 6% during the same period resulting in an effective decrease of 2.54% in emissions per transported work.

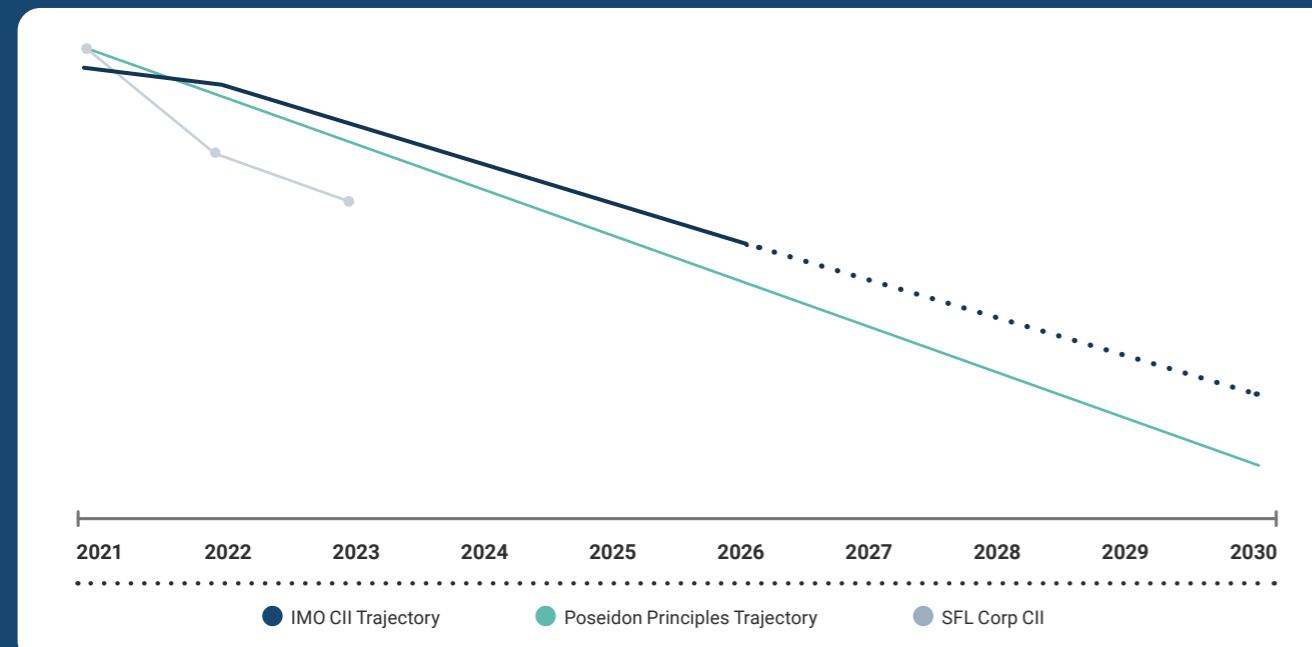
## 2023 CII achieved by vessel type

Verification of the first year (2023) of the attained annual operational Carbon Intensity Indicator (CII) will be conducted in 2024. Each ship will receive an environmental rating from 'A' (major superior) to 'E' (inferior) based on its emissions per unit transport work, calculated using the Annual Efficiency Ratio (AER). The rating threshold will become increasingly stringent towards 2030.

SFL achieved CII ratings set by the IMO for the year ending 2023 with all our liner fleet achieving at least a 'C' rating including eight vessels achieving 'A' ratings. Nine vessels (bulk/tankers/car carrier) had achieved the minimum target of 'D' rating due to the nature of trade and age of the vessels.



## SFL outperformed the IMO and Poseidon Principles trajectory in 2023



## OUR DECARBONISATION STRATEGY

In 2020, we initiated our "Decarbonisation journey towards 2030-2050" to ensure that our fleet is in compliance with the constantly evolving regulations. The purpose of this decarbonisation strategy is to provide us with a solid understanding of how to further optimise and modernise our fleet and operations in a cost-efficient and sustainable way. The decarbonisation strategy also ensures that we maintain momentum and allocate the correct resources to our environmental performance. Our strategy puts us in an optimal position to make operational and strategic decisions based on verified data, and we are already experiencing compelling benefits, such as

- Lower overall costs
- Being better positioned towards our charter market, cargo owners and end-consumers
- A more efficient fleet with lower emissions
- Future-proofing compliance with upcoming regulations

As of 2023, the project has delivered:

### Outperforming the IMO and Poseidon Principles trajectories

In 2023, our overall fleet weighted CII rating outperformed both the IMO and the Poseidon Principles emission trajectories (see page 12). In 2024, our target is to continue to outperform the IMO and Poseidon Principles emission trajectories. To achieve our goal, a ten-year CII roadmap is established for each of our vessels where we have identified the technologies needed and quantified the required investments. These roadmaps provide a solid basis for optimising our operations, and we consider ourselves well-positioned to reach our target.

### Fleet digitalisation and edge computing

Our digital monitoring platform Veracity enables live tracking of each vessel's emissions and energy consumption. It is an important tool to closely monitor, manage, and report on ESG related KPIs as well as our performance against regulations. SFL's performance and emissions data are cloud based, and hence data for main KPIs such as AER, EEOI and CO<sub>2</sub>, can be provided instantly. DNV is our selected vendor for 3rd party verification of our emission and intensity metrics. SFL is also continuously investing in Edge computing, obtaining digital twins for all vessels entering our fleet. High frequency data increases our ability to identify future hazards and to take timely and qualitative actions, maintaining our position as a premium operator.

## FuelEU Maritime and EU ETS preparation

The EU has agreed to include maritime transportation in its Emission Trading Scheme (EU ETS) from 2024 and on setting requirements on well-to-wake GHG emissions (FuelEU Maritime) from 2025. In 2023, SFL completed a risk assessment for EU regulations included in the Fit-for-55 package. The vessels across our various fleet types are typically trading within the EU or between Asia and Europe, and thus impacted by the EU ETS. The annual exposure in 2024 is estimated at USD 9 million to USD 11 million worth of allowances (EUAs) which will be reimbursed by the polluter at the end of the regulatory period. We have a robust Monitoring, Reporting and Verification (MRV) system in place to ensure compliance and effectively manage our EUAs exposure on a voyage and fleet basis.

With the FuelEU Maritime entering into force on January 1, 2025, SFL will implement a "FuelEU Maritime readiness programme" that will cover our internal processes and commercial contracts to ensure compliance by 2025. The FuelEU Maritime team will comprise members from the Technical, Commercial and Operational departments.

### Scope 3 reporting

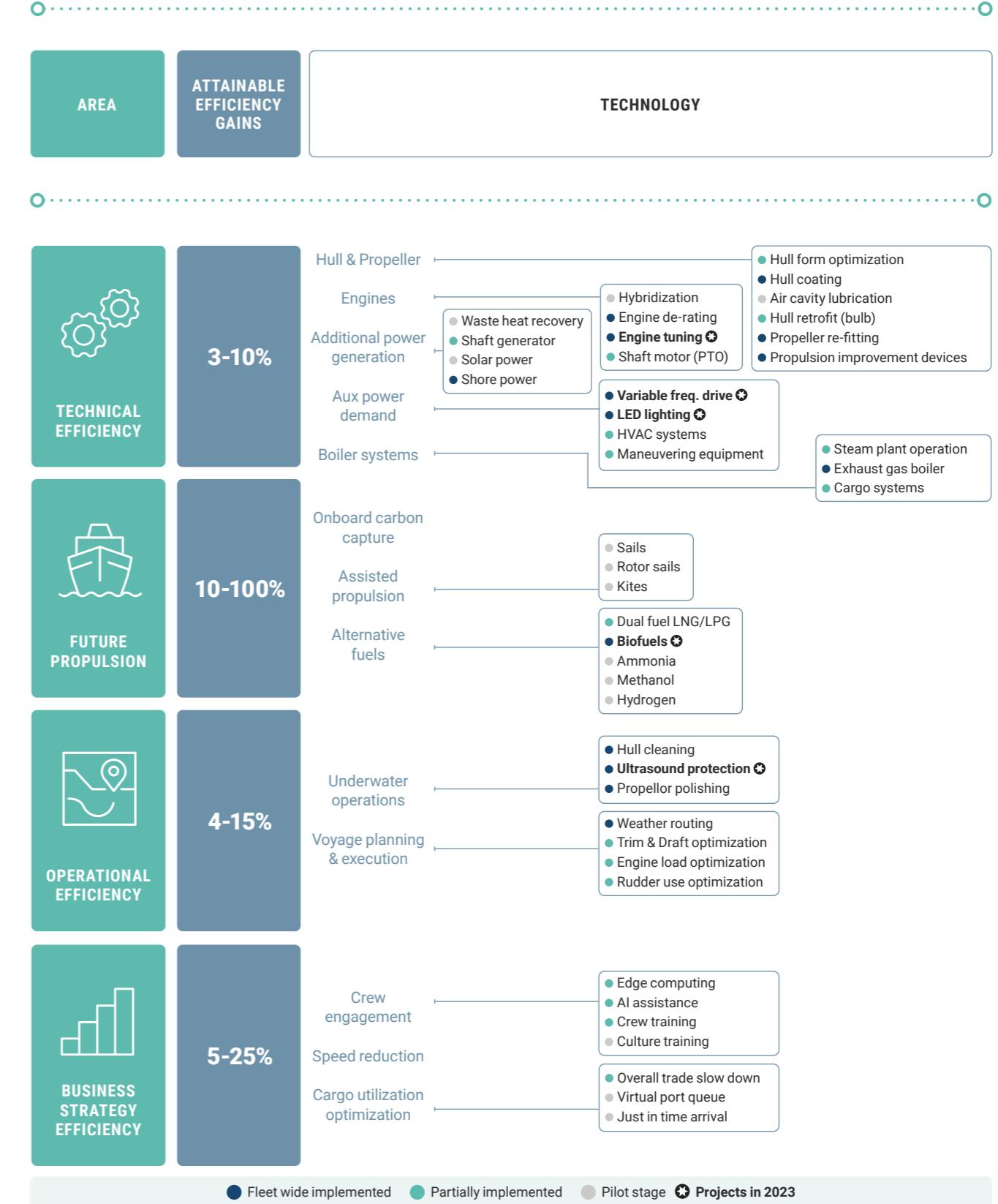
In 2023, we completed a scope 3 emission baseline study to understand the materiality of each emission category in our upstream and downstream value chain. Developing a scope 3 inventory will strengthen SFL's understanding of its value chain emissions as a step towards effectively managing emission-related risks and opportunities, as well as reducing indirect emissions. We are already engaged in discussions with key stakeholders, including our third-party ship managers, to formalise procedures for the collection of precise data. This will be one of our key focus areas in 2024 and an important step towards complying with upcoming reporting requirements set forward in the ESRS.

## SFL'S DECARBONISATION TOOLBOX

SFL's fleet is equipped with various energy-saving technologies. In 2023, we updated our decarbonisation toolbox to provide an accurate picture of our progress. The technologies used are divided into four main categories:

AREA	ATTAINABLE EFFICIENCY GAINS	TECHNOLOGY
 TECHNICAL EFFICIENCY	 3-10%	<ul style="list-style-type: none"> <li>Hull &amp; Propeller           <ul style="list-style-type: none"> <li>Hybridization</li> <li>Waste heat recovery</li> <li>Shaft generator</li> <li>Solar power</li> <li>Shore power</li> <li>Variable freq. drive</li> <li>LED lighting</li> <li>HVAC systems</li> <li>Maneuvering equipment</li> </ul> </li> <li>Engines           <ul style="list-style-type: none"> <li>Hull form optimization</li> <li>Hull coating</li> <li>Air cavity lubrication</li> <li>Hull retrofit (bulb)</li> <li>Propeller re-fitting</li> <li>Propulsion improvement devices</li> </ul> </li> </ul>
 FUTURE PROPULSION	 10-100%	<ul style="list-style-type: none"> <li>Onboard carbon capture           <ul style="list-style-type: none"> <li>Sails</li> <li>Rotor sails</li> <li>Kites</li> </ul> </li> <li>Assisted propulsion           <ul style="list-style-type: none"> <li>Dual fuel LNG/LPG</li> <li>Biofuels</li> <li>Ammonia</li> <li>Methanol</li> <li>Hydrogen</li> </ul> </li> <li>Alternative fuels           <ul style="list-style-type: none"> <li>Hull cleaning</li> <li>Ultrasound protection</li> <li>Propeller polishing</li> </ul> </li> </ul>
 OPERATIONAL EFFICIENCY	 4-15%	<ul style="list-style-type: none"> <li>Underwater operations           <ul style="list-style-type: none"> <li>Weather routing</li> <li>Trim &amp; Draft optimization</li> <li>Engine load optimization</li> <li>Rudder use optimization</li> </ul> </li> <li>Voyage planning &amp; execution           <ul style="list-style-type: none"> <li>Edge computing</li> <li>AI assistance</li> <li>Crew training</li> <li>Culture training</li> </ul> </li> </ul>
 BUSINESS STRATEGY EFFICIENCY	 5-25%	<ul style="list-style-type: none"> <li>Crew engagement           <ul style="list-style-type: none"> <li>Overall trade slow down</li> <li>Virtual port queue</li> <li>Just in time arrival</li> </ul> </li> <li>Speed reduction           <ul style="list-style-type: none"> <li>Just in time arrival</li> </ul> </li> <li>Cargo utilization optimization           <ul style="list-style-type: none"> <li>Just in time arrival</li> </ul> </li> </ul>

## SFL'S DECARBONISATION TOOLBOX



## CLIMATE-RELATED RISKS

Climate change poses physical, technological, regulatory and reputational risks to SFL. The Task Force on Climate-related Financial Disclosures (TCFD) provides a useful framework for assessing these risks, and this is a summary of SFL's current approach:

### Governance

The Board of Directors (BoD) has the responsibility of overseeing the Company's strategy, which includes addressing climate-related risks and opportunities. Management provides the BoD with regular updates on climate-related risks and opportunities, including current and emerging regulations, the Company's performance on its decarbonisation strategy, including its emissions reduction trajectories, as well as technological developments. The Chief Operating Officer (COO) carries the responsibility for the overall implementation of climate related policies and is ensuring the performance and risk management. The COO is also responsible for establishing monitoring and reporting processes including climate-related financial risks and opportunities. In addition, the Audit Committee ensures oversight of key ESG risks and external reporting and receive regular updates on ESG reporting processes...

### Strategy

SFL is currently reassessing a range of different climate-related risks and opportunities as part of reviewing our material topics to align with the upcoming CSRD. Current and emerging regulations, such as the inclusion of shipping in the EU ETS in 2024, alongside the introduction of requirements on well-to-wake GHG emissions through the FuelEU Maritime in 2025, will impact the cost of transportation. Second, customers awareness regarding the increased cost of carbon emissions is expected to drive a demand for low-emitting tonnage in the medium-term. Optimising our investment and divestment plans is important to managing these aspects of risk. We review our asset composition and development plans on a regular basis, in light of updated information regarding environmental regulations and climate related risks.

Since 2020, SFL has incorporated decarbonisation as an integral part of its business strategy. Our aim is to own and operate a modern and fuel-efficient fleet that has a low-carbon footprint. We are committed to achieving the IMO 2030 targets as a minimum threshold. Decarbonisation is not only the right thing to do for the environment, but it is also a sound business decision.

### Risk

Climate risk identification is incorporated into our general risk management and internal control system. Every year the BoD reviews climate-related risks and opportunities, as part of a general risk review process. In this approach financial risk is isolated to study operational risks. We assess risks in a short-term (1 years), medium-term (3-5 years) and long-term (5 years and above) perspective, taking into consideration the most likely climate scenarios developed by the IPCC and incorporated in the IEA World Energy Outlook reports. This is then shared with the BoD. Market risks and financial risks are assessed every day. Regulatory changes and technological development have been the two most important risk drivers for the Company. At SFL, we understand the importance of climate-related risks and actively participate in discussions on this topic in various forums. We hold regular management meetings, engage with our technical department, and participate in the ESG forum to stay informed and proactively manage our climate-related risks.

### Targets and metrics

The IMO has revised its emission reduction strategy towards 2050 to combat climate change, in line with the Paris Agreement. The strategy now includes absolute emission reduction targets of 20% by 2030 (while striving for 30%) and 70% by 2040 (while striving for 80%) compared to 2008 levels, as well as to reach net-zero by or around 2050. SFL commits to supporting the IMO targets. In the short term, SFL is committed to continue to outperform the IMO and Poseidon Principles emission trajectories. Our CII values are calculated using the Average Efficiency Ratio (AER) measured as grams of CO<sub>2</sub> per deadweight ton-nautical mile. The CII rating level, where the threshold will become increasingly stringent towards 2030, ranges from 'A' (major superior) to 'E' (inferior).

Since 2018, SFL has disclosed its Scope 1 (financial control approach) GHG emissions annually. In 2023, our Scope 1 emissions amounted to 2,181,596 metric tonnes CO<sub>2</sub>, while our Scope 2 emissions were 0.51 metric tonnes CO<sub>2</sub> (market-based) and 0.19 metric tonnes CO<sub>2</sub> (location-based). Formalising procedures for the collection of precise Scope 3 data will be one of SFL's key focus areas in 2024.

## NATURE

To us, nature-related impacts include a wide variety of topics, such as pollution to air and water and biodiversity loss, as well as SFL's reputational and operating risks. As a ship owner, controlling a significant portfolio of physical assets utilised for seaborne transportation, SFL has significant interaction with the marine environment. We therefore recognise our responsibility to identify, avoid, minimise, manage and monitor our footprint by improving the Company's environmental performance, in compliance with regulations, and to meet the expectations of our customers and other key stakeholders.

Combustion of fuel in our operations results in air pollutants that have adverse impacts on the environment and on human health. SFL are committed to the elimination of emissions at-source and the use of new technologies to reduce our impact. In response to IMO's 0.5% global sulphur cap for marine fuel oils enforced in 2020, SFL utilises a mix of burning low-sulphur fuel and retrofitting Exhaust Gas Cleaning Systems (EGCS) onboard our fleet. As of December 31, 2023, the Company's fleet included 28 scrubber fitted vessels. By using cleaner fuels on the remaining vessels, the Company is not required to install scrubber devices on these ships.

We recognise our responsibility to safeguard the environment and give prominence to improving our environmental performance and protecting biodiversity. Marine transportation is associated with risks to the surrounding environment with negative impacts on biodiversity. These impacts are related to

ship pollution, collisions, noise, grounding and anchor damage, and transportation of invasive species.

Our Biofouling Management Plan on each vessel ensures frequent and efficient anti-fouling and cleaning routines. These plans are in accordance with IMO's Biofouling Guidelines and periodically reviewed and updated to align with best practice. Proper management of ships' biofouling is not only beneficial to prevent the spread of invasive species but will also reduce underwater resistance, and consequently, our GHG emissions. SFL is aware that larger volumes of oil spills have serious and long-lasting negative impacts on ecosystems. Incidents may cause the degradation of ecosystems, grave injuries or fatalities. If an incident related to spills were to occur, our ship managers are obliged to notify us without delay and follow up with a situation report. A full investigation report is then to be submitted no later than 14 days after the incident has taken place.

Whilst ballast water is essential for shipping operations, it may also represent serious ecological, economic, and health risks, as ships become a vehicle for the transfer of organisms between ecosystems. Through the International Convention for the Control and Management of Ships' Ballast Water and Sediments (BWM Convention), the IMO has imposed guidelines for ballast water management systems specifying the maximum amount of viable organisms allowed to be discharged from a vessel's ballast water. At the end of 2023, 98.3% of our vessels had ballast water treatment systems (BWTS) installed.



## Performance in 2023

ACCOUNTING METRIC	UNIT OF MEASURE	DATA 2021	DATA 2022	DATA 2023	SCOPE OF CONTRACT
<b>OTHER EMISSIONS TO AIR</b>					
NOx (excluding N <sub>2</sub> O) <sup>d</sup>	Metric tonnes (t)	46,186	50,645	<b>56,198</b>	Operated fleet
SOx <sup>d</sup>	Metric tonnes (t)	5,506	5,906	<b>6,243</b>	Operated fleet
Particulate matter <sup>d</sup>	Metric tonnes (t)	2,181	2,504	<b>2,438</b>	Operated fleet
Shipping duration in marine protected areas or areas of protected conservation status <sup>e</sup>	Number of days	252	247	<b>249</b>	All vessels / Operated fleet
Implemented ballast water exchange <sup>f</sup>	Percentage	18%	8%	<b>1.7%</b>	Operated fleet
Implemented ballast water treatment <sup>f</sup>	Percentage	82%	92%	<b>98.3%</b>	Operated fleet
Spills and releases to the environment <sup>g</sup>	Number	0	0	<b>2</b>	Operated fleet; Hercules; Linus
	Cubic meters	0	0	<b>0.06</b>	Operated fleet; Hercules; Linus

\*All letter references are indexed and listed on page 31 in this document, containing definitions and assumptions to the information provided

In 2023, the shipping duration in marine protected areas or areas of protected conservation status remained at the same level as in the previous year. SFL has implemented BWTS on 98.3% of its fleet and reduced its pollution of particulate matter by 2.6% compared to 2022. This reduction is due to the majority of our vessels being equipped with EGCS. These systems effectively reduce particulate matter by 99%. The Company observed a moderate increase in cumulative emissions of sulphur oxides (SOx) and nitrogen oxides (NOx) compared to the figures reported in the preceding year. However, the transport work done in 2023 increased more than the rise of emissions from SOx and NOx. This indicates that the fleet's efficiency improved in 2023 relative to 2022.

In 2023, we experienced two minor spill incidents (60 litres) on our jack-up drilling rig Linus. In June 2023, Linus experienced a spill of hydraulic oil into the sea from an ROV (Remotely Operated Vehicle). The spill occurred due to a crack in a pipe on the ROV while it was operating underwater, resulting in approximately 10 litres of hydraulic oil being released. Immediate action was taken to address the issue, and additional inspections were conducted.

In July 2023, a faulty tank sounding reading resulted in a minor spill incident, with an estimated 50 litres of oil-based mud reaching the sea. Upon discovery of the spill, immediate actions were taken to contain the situation.



## CIRCULAR ECONOMY

Unsafe waste management and disposal from ships can readily lead to adverse environmental and health consequences. The prevention of pollution by waste from ships is regulated by The International Convention for the Prevention of Pollution from Ships (MARPOL) Annex V, which prohibits the discharge of most waste into the ocean.

SFL has installed water filtration systems onboard all vessels, and our ship managers have implemented policies for the use of reusable water bottles. Moreover, in 2019, we introduced strict procedures for ensuring that all debris containing plastics is collected and disposed of safely.

Last year, our primary focus was on improving our management systems and methods for accounting and reporting on waste, in line with the incoming ESRS. We have already introduced electronic record keeping (e-logs) with replication to office which allows us to monitor waste generation and handling in real-time. In 2023, we prioritised refining our waste management and reporting systems to align with the incoming ESRS. This initiative led to the development of a comprehensive waste management framework and the integration of Storm Geo's service for detailed waste reporting. As a result, we made the strategic decision to delay establishing a waste baseline to ensure accuracy and reliability in our data. This decision laid the groundwork for setting an accurate baseline in 2024, leveraging the enhanced data from 2023. Our target is to reduce the Company's waste by 3% in 2025 compared to the 2024 baseline. SFL intends to evaluate the ambition of this target and establish a reduction goal for the next four years.

Ships contain hazardous materials, and ship recycling must therefore be performed according to strict standards to protect human health, safety and the environment. SFL endeavours to comply with all applicable legislation in respect of the recycling of its end-of-life vessels where relevant, such as The Basel Convention, the United Nations Convention on the Law of the Sea, The EU Waste Shipments Regulations, MARPOL and the European Ship Recycling Regulation. SFL welcomes the latest ratification of the Hong Kong Convention, which will enter into force in 2025. The Company intends to voluntarily comply with the Convention where possible prior to 2025. This regulation 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.

Despite having one of the most modern fleets in the industry, which reduces the risk and the probability of any ships going to any form of recycling in the near future, the severity of potential impacts to the environment makes ship recycling a prioritised risk to the Company. Consequently, SFL has implemented several measures to mitigate risks related to the sale of ships and ship recycling in its Ship Recycling Policy. This is to ensure that future recycling of SFL's ships may only take place at an approved yard compliant with the Hong Kong Convention, and that our MOAs with cash buyers include a compliance warranty. We always include adequate clauses pertaining to further trading and ship recycling in the contract for sale. Our Ship Recycling Policy is reviewed and updated annually to reflect changes in legislation and ongoing learning and good practice. We always assess the risk of recycling when selling any vessel.

# SOCIAL



SFL's ambition is to ensure a safe and diverse place to work, that human rights are respected, that all workers have decent working conditions, and to improve the well-being of all our employees. Our actions are guided by industry and international standards, in line with what is expected by our key stakeholders.

In this section, we explain how we are meeting our strategic commitments to health and safety, human rights, labour rights protection, diversity and inclusion and human capital development.



**23**

Onshore workforce



**1,501**

Offshore workforce

At the end of 2023, SFL employed 23 permanent onshore staff that are domiciled in Oslo, Norway. The employee turnover rate for our onshore workforce was 0% in 2023. Our offshore workforce, referring to those who work onboard SFL's vessels (60) and offshore assets (2), numbered 1,501 in 2023.

## HEALTH AND SAFETY

At SFL, our number one priority is the health, safety and well-being of our people, including the thousands of seafarers employed by the ship management companies we partner with. We have implemented several measures in this regard, not only towards requirements to ship managers, but also when it comes to crew training and the facilities onboard our vessels.

Through our involvement with the Neptune Declaration, we have supported our ship managers with the implementation of well-being initiatives and have ensured that all seafarers have access to mental health support. For instance, our maritime personnel have access to a well-being app, facilitating a private connection to a psychologist through their personal devices. The app leverages artificial intelligence, games and nudge techniques to gauge a person's mood and to improve their mental health. The platform allows us to monitor weak signals and act proactively to support our crew.

Through SFL's health insurance, a well-being app is also made available to our onshore employees. The app "Overvinne" is developed by psychologists for our employees to get help when and where they want – arranged on their own terms. The app contains a digital self-help programme consisting of short videos, audio files, mood reports and articles.

The safety and security risks connected to operations at sea must always be managed carefully to safeguard crew, vessels, cargo and the environment. SFL has a zero-accident ambition and operates according to the principle that no serious injury or environmental incident is acceptable.

All tasks at SFL are evaluated in terms of the hazards inherent to the job, prior to the work itself being undertaken. For work considered particularly hazardous, such as enclosed entry or work from heights, a "permit to work" system ensures that the work planned, and the risk assessment developed is reviewed by relevant personnel from the HSEQ and the Technical Department onshore. Together the safety management system

and predictive maintenance system ensure that routine work is planned to allow due attention to the hazards and risks inherent in the work offshore.

SFL ensures that key systems, such as the safety management system, are audited at a minimum on an annual basis by independent auditors. In addition, individual vessels are inspected at regular intervals by Port State Control (PSC) inspectors and by our customers. A Ship Inspection Report Programme (SIRE inspection) is conducted if dealing with tankers, whereas a Rightship inspection is conducted if dealing with container or dry bulk vessels or similar. Our Technical Department, through the HSEQ function, also performs audits on an annual basis.

Crew and onshore employees can report a range of work-related hazards or hazardous situations through our near miss reporting and unsafe acts reporting systems. We recognise that fear of reprisals may hinder some people from raising concerns, and therefore we have a Stop Work Policy

where it is made clear that any person may stop work if they deem the work unsafe. In addition, we promote a culture of "learner mindsets" where mistakes are seen as opportunities to learn and develop. Our crew has a direct reporting line to the Designated Person Ashore (DPA), and an anonymous whistleblowing hotline, that allows them to report on any circumstances that give rise to concern. The DPA has regular one-to-one meetings with the CEO.

Work-related incidents are investigated using robust accident investigation techniques and include methods appropriate to the incident, such as technical examinations and interviews of staff along with recreating the accident trajectory. Reporting follows DNV's Marine Systematic Cause Analysis Technique and data is captured in an incident reporting system which allows for analysis of the root causes of the incident. Corrective actions are identified and tracked until implemented. The incident reporting system allows analysis of incident trends and aims to strengthen barriers to avoid similar incidents from taking place in the future.



## Performance in 2023

ACCOUNTING METRIC	UNIT OF MEASURE	LOST TIME INJURY FREQUENCY		
		DATA 2021	DATA 2022	DATA 2023
Lost time injury frequency (LTIF) <sup>i</sup>	Rate	0.11	0.21	<b>0.46</b>
<b>MARINE CASUALTIES</b>				
Incidents <sup>j</sup>	Number	0	0	<b>0</b>
Very serious marine casualties <sup>k</sup>	Percentage (%)	0	0	<b>0</b>

\*All letter references are indexed and listed on page 31 in this document, containing definitions and assumptions to the information provided.

SFL continues its track record of zero incidents onboard its assets. The Company continues to have a zero-accident ambition and operates according to the principle that no serious injury or environmental incident is acceptable. The maintenance of a low LTIF underscores SFL's emphasis on safety in its operations and reaffirms our dedication to ensuring a secure workplace for our employees.

## HUMAN AND LABOUR RIGHTS

SFL is fully committed to respecting fundamental human and labour rights in our business operations and value chain. We recognise the rights set out in the UN International Bill of Human Rights, the Maritime Labour Convention and the International Labour Organisation's (ILO) Core Conventions on Fundamental Principles and Rights at Work. SFL acts in accordance with the UN Guiding Principles for Business and Human Rights (UNGPs), the OECD Guidelines for Multinational Enterprises and national laws, such as the Norwegian Transparency Act.

The shipping industry faces a number of specific human rights risks, given our business operations, business partners and suppliers across the globe, many of which are in high-risk jurisdictions. Consequently, SFL has taken several steps to manage our human rights risks, including conducting human risk due diligence to identify, prevent and mitigate any negative human rights impacts throughout our value chain.

This exercise enabled us to identify three prioritised human rights risk areas going forward:

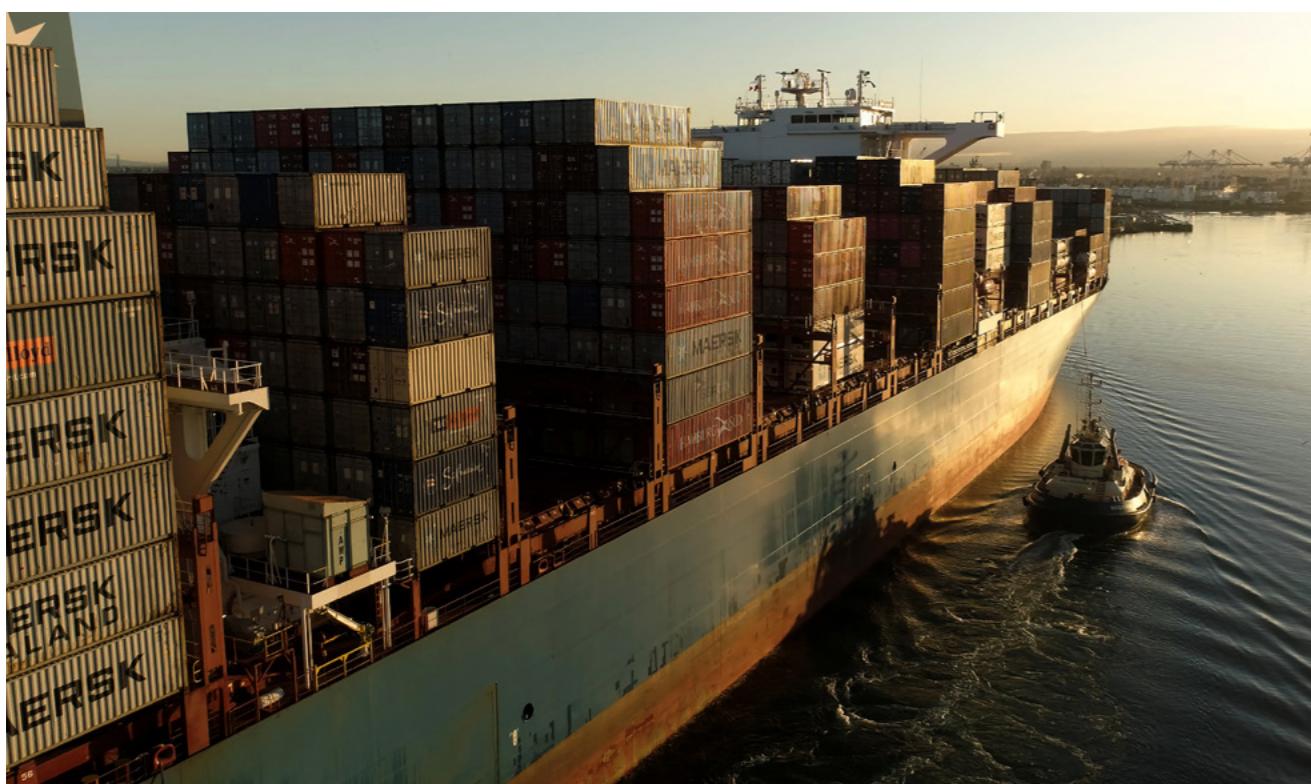
- **Shipbuilding and dry-docking**
- **Sale of ships and ship recycling**
- **Crew**

The BoD has the overall responsibility for risk management, including human rights risks, and approves SFL's policies. The Company's management carries the responsibility for the implementation of routines related to human rights in our daily

operations, while the Audit Committee monitors and reports any complaints received relating to our internal controls and compliance personnel.

We expect that our business partners share our human and labour rights commitment and standards. As a safeguard against negative human rights impacts, we include audit rights and termination clauses in our contracts. These allow us to undertake regular and randomised audits (including assessment of wages and working hours), as well as announced and unannounced on-site visits, inspections, and interviews with crew. This comes in addition to formalised annual meetings with all ship managers. In addition to contract clauses, we employ a third-party whistleblowing channel and urge employees and third parties to voice any concerns or suspected violations of our Code of Business Ethics and Conduct through our external whistleblowing channel. This effort was strengthened in 2023 through including human and labour rights, as well as the handling of business partners, in the mandatory annual compliance training for all employees. Going forward, we will continue to strengthen our routines in respect of human rights and labour rights, and for documenting activities in our value chain. This includes, but is not limited to, continued testing of our crew's social and labour rights and closely monitoring high-risk business partners such as yards. We further aim to consistently include human rights clauses in 100% of relevant contracts.

There have been no recorded incidents of severe human rights issues in 2023.



## HUMAN RIGHTS RISK AREAS



### SHIPBUILDING, SHIP REPAIRS AND DRY-DOCKING

Shipbuilding and repairs are labour-intensive activities that can be associated with human and labour rights issues, both when it comes to risks of accidents and injuries, and when it comes to risks of worker exploitation. Shipbuilding and dry-docking are mainly conducted in China and Korea. As part of our general compliance program, compliance testing and screening of current and potential business partners are carried out. In 2023, SFL screened all shipyards used for drydocking and newbuildings and assessed the risks of potential human rights impacts. Our screening resulted in concrete follow-up measures for improvements business partners should implement and highlights where it is preferable to terminate business relationships.

In 2024, we aim to continue our work with external testing, including spot checks and on-site visits to key business partners.



### SALE OF SHIPS AND SHIP RECYCLING

The risks related to the sale of ships and ship recycling mainly relate to the risk of ships ending up in a process of "beaching" or an informal shipbreaking process. Both of these outcomes can involve risks related to workers as well as local communities and the environment. Although the age of our fleet makes ship recycling less probable, it is to be noted that any form of ship recycling, even through a formalised process, is a labour-intensive activity that warrants specific attention to human and labour rights risks. The risks will be similar to the ones associated with shipbuilding, and if relevant, we will apply the same type of measures to mitigate any risks.

In 2023, SFL has strengthened the due diligence procedure in respect of potential buyers of second-hand vessels.



### CREW

There are several human and labour rights risks related to seafaring. The working environment on a ship, with extended periods at sea, can mean limited oversight and weak law enforcement, which increase the risks of worker exploitation. This can take the form of excessive working hours, poor wage levels and risks of modern slavery. To address such risks, we select our ship managers only after careful and thorough due diligence and assessment. Crewing and ship management are outsourced to leading third-party ship management companies, who are supervised, closely monitored and assessed throughout our business relationship.

We further expect all ship managers to comply with the same standards of business ethics, human rights and labour rights we hold ourselves to. This includes at least meeting the standards set out in the Maritime Labour Convention and ILO's Core Conventions that aim to safeguard seafarers' rights to collective bargaining and ensuring that no employee is discriminated against. Moreover, the Company requires that its ship managers comply with the requirements of the International Transport Workers' Federation. We have audit rights and contractual clauses, such as termination clauses, aiming to ensure that these standards are not violated. We monitor our fleet, pursuant to internal procedures, such as our Know Your Business Partner Policy, to ensure that our ship managers comply with our ethical standards in all business relations, including human and labour rights.

One of our key targets is that 100% of SFL's seafarers are covered by collective bargaining agreements. In 2023, we conducted "crew payment testing" in respect of our crew's labour rights conditions on several vessels. No significant irregularities were detected, but certain findings were addressed with the relevant ship managers where we saw opportunities for improvement.

## EQUAL TREATMENT AND OPPORTUNITIES

SFL prohibits discrimination against any employee, or any other person based on sex, race, colour, age, religion, sexual orientation, marital status, national origin, disability, ancestry, political opinion or any other basis. The Company prohibits unlawful harassment. Employees are expected to treat one another with respect. We also expect our contractors, suppliers and other business partners to aspire to similar standards of fair treatment and equal opportunities for their employees. To enhance awareness on this topic as well as to prevent and mitigate any form of discrimination and harassment, SFL has included discrimination and harassment as a topic in its compliance training that is mandatory for all employees and management.

There have been no reports of discrimination and harassment incidents in 2023.

SFL is an international company that values diversity and cultural differences. Our offshore employees come from across the world. Historically, our industry has been male dominated, a trend mirrored in the Company's offshore workforce composition. While the majority of our employees working at sea are men, we actively promote the inclusion of female seafarers and have welcomed female cadets onboard our vessel. Onshore, SFL is actively working to address gender imbalances by taking a conscious approach toward this topic during the recruitment process. Presently, women constitute 39.1% of SFL's onshore workforce, which is above the broader representation of women working onshore in the maritime industry<sup>2</sup>.

Our success is built on the ability, determination and dedication of our staff, both onshore and at sea. Employees are encouraged to identify training needs through their

development plan. To assist with this, we provide several opportunities for employees to develop their skills and careers. This includes training in skills to improve interpersonal competence, such as leadership development and communication training, and technical skills relevant to the execution of their work, such as Electronic Chart Display and Information System (ECDIS) training or specific training courses for technical machinery.

In 2023, all employees, including the management team and two board members, completed an annual compliance e-learning. The e-learning covered financial crime, competition law and anti-trust, insider trading, confidentiality and privacy, sanctions and KYC, social and labour conditions, human rights and whistleblowing. We conducted face-to-face compliance training sessions in the Oslo, Singapore and London offices. We have also conducted ad hoc training sessions on the Dow Jones RiskCenter, a web-based due diligence tool for assessing compliance risks with monitoring functionalities. For new employees, SFL also requires an introductory training session on compliance.

In April 2023, we organised a "Compliance Awareness Week". The weeklong programme included online dilemma-training, as well as lunch seminars with external experts covering topics such as corruption, anti-trust and whistleblowing, podcasts covering employment related matters and publication of sanction related news, case law regarding corruption and bribery and enforcement actions from the SEC regarding FCPA cases. In 2024, SFL will conduct another "Compliance Awareness Week", to maintain awareness and continue to improve our e-learning and face-to-face training sessions. We plan to evaluate the effectiveness of these initiatives to identify opportunities to further enhance our programme.

<sup>2</sup>[Women-in-maritime\\_survey-report\\_high-res.pdf](#)



## GOVERNANCE



SFL is committed to conducting its business honestly and ethically, as outlined in our Corporate Code of Business Ethics and Conduct (the Code) and Financial Crime Policy. Our Financial Crime Policy further commits us to the most stringent rules and regulations.

### OUR COMPLIANCE PROGRAMME

SFL has a comprehensive Compliance Programme led by our Compliance Officer, ensuring that we conduct our business in an honest and ethical manner.

In 2023, SFL contracted Agenda Risk to conduct a risk assessment and gap analysis of the Company's current compliance programme to identify and mitigate risks SFL is exposed to. The assessment resulted in a risk map covering all identified risks, and a gap analysis highlighted certain areas that would benefit from further attention.

Some risk mitigating actions have already been implemented in 2023, and in 2024, SFL has established a further training target as a means of risk mitigation in areas such as sanctions, and bribery. The Company will ensure that key staff at yards in connection to newbuildings and dry-docking receive necessary

training in anti-corruption and SFL's Code of Business Ethics and Conduct.

Over the past few years, the primary risk for individuals or entities operating in the maritime industry or energy sector has been the potential violation of sanctions, either directly or indirectly through third parties. Following Russia's invasion of Ukraine, the UK, EU and US have imposed extensive sanctions against Russian interests targeting, *inter alia*, entities, individuals, oil and oil products. SFL has implemented a Sanctions policy and Know Your Business Partner policy. We also monitor our fleet on an ongoing basis and receive and follow-up on alerts if any of our vessels are in proximity to sanctioned areas or there is a gap in their AIS signals. In addition, third-party testing, strict due diligence requirements, monitoring of business partners and contractual risk mitigation are all measures that can also significantly reduce the risk of any sanction violation.

### Top compliance risks in 2023

Third-party corruption and bribery (newbuildings, dry-docking, commercial operations etc.)
Breach of sanctions (through third parties)
Anti-trust/anti-competitive practices
Severe breaches of human and labour rights at yards for Newbuildings and Dry-docking
Facilitation payments
Receiving funds from sanctioned/illegal (includes money laundering) activities when selling vessels
Environmental crime
Legal risk exposure if a vessel is involved in drug smuggling
Insider trading
Various types of fraudulent activities on ship (theft of cargo, financial crime etc.)
Sale of vessels resulting in environmental crime and breach of human and labour rights
Harassment of crew and other employees
Conflict of interest

● 1 = Very low   ● 2 = Low   ● 3 = Moderate   ● 4 = High   ● 5 = Very high

## ANTI-CORRUPTION AND BUSINESS ETHICS

In addition to sanction risks, and similar to many other companies in the maritime industry, we continued to face bribery and corruption risks in 2023.

The industry operates in many countries with high inherent risk for corruption and utilise several intermediaries, agents and sub-suppliers that may not have a compliance programme nor the same culture and cultural standards that the ship owner expects. Due to the current macroeconomic situation, SFL believes there is higher likelihood of corruption across several geographical areas compared to previous years.

For SFL, these risk areas are subject to continued risk-mitigating actions. In addition to providing employees and key suppliers with anti-corruption training, these actions involve incorporating anti-corruption and bribery clauses into contracts, as well as screening and monitoring of business partners and beneficial owners for any adverse media relating to corruption and bribery. To consistently evaluate and address the risks confronting our business we utilise Transparency International's Corruption Perception Index (CPI).

Our Code of Business Ethics and Conduct (the Code) and Financial Crime Policy have a zero-tolerance approach to any violations of applicable laws and regulations, including the UK Bribery Act and US Foreign Corrupt Practices Act (FCPA). The policies apply to all entities controlled by SFL's officers, directors and employees, as well as workers and third-party consultants, wherever they are located.

The Code describes our expectations and requirements relating to:

- **Compliance with laws and regulations**
- **Honest and fair dealing**
- **Conflict of interest and corporate opportunity**
- **Anti-corruption**
- **Confidentiality and privacy**
- **Proper use of company assets**
- **Anti-discrimination and harassment**
- **Integrity of corporate records**

The Code explains how violations of the Code are managed and requires employees who observe a situation they believe to be in violation of the Code to promptly notify their manager. As part of our Financial Crime Policy and associated compliance procedures, appropriate risk-based communication and training are provided to employees as part of their onboarding and ongoing development.

Suspected deviations from our policy are to be reported to the line manager or our anonymous whistleblowing platform provided by WhistleB. The platform is open to everyone, including staff, seafarers and those outside of our organisation. The whistleblowing facility is tested quarterly by SFL's Compliance Officer. SFL values the united voice against corruption and has joined MACN for collective action. MACN members collaborate with stakeholders, such as local authorities, to develop solutions that are beneficial to all parties and are realistic to implement. Based on reports from our ship managers, we report facilitation payment demands to MACN every quarter.

## Performance in 2023

ACCOUNTING METRIC	UNIT OF MEASURE	DATA 2021	DATA 2022	DATA 2023
<b>CORRUPTION INDEX</b>				
Number of calls at ports in countries that have the 20 lowest rankings in Transparency International's Corruption Perceptions Index <sup>h</sup>	Number	112	266	232
<b>CORRUPTION</b>				
Total amount of monetary losses as a result of legal proceedings associated with bribery or corruption	Reporting currency	0	0	0

<sup>h</sup>All letter references are indexed and listed on page 31 in this document, containing definitions and assumptions to the information provided

In 2023, the number of port calls in countries ranking lowest on Transparency International's Corruption Perception Index remained at the same level as in the previous year. SFL have had zero litigations concerning any form of corruption in 2023. Moreover, no instances of whistleblowing were reported in 2023. Taken together, these metrics suggest that business conduct issues remained minimal throughout the year.

## SYSTEMS FOR SUPPLIER MONITORING

SFL has implemented Dow Jones RiskCenter, a third-party management tool, for conducting integrity due diligence, screening and monitoring of our business partners. The term "business partners" include all enterprises or individuals our Company enters into a business relationship with, including banks, charterers, agents, brokers, ship managers, consultants, joint venture partners, suppliers and other intermediaries. The Tool enables SFL to track its business partners, from the pre-contractual phase throughout the entire lifecycle of the

business relationship. This approach enables us to proactively identify potential risks of business partners violating sanctions, being involved in money laundering, corruption or other non-compliant conditions.

The Compliance Officer is responsible for screening and monitoring. All employees receive training in using the management tool for onboarding new business partners. We conduct checks internally once a year towards spend reports from accounting, and our auditor conducts spot checks on an ad hoc basis.



# APPENDIX

## SUSTAINABILITY ACCOUNTING STANDARD DISCLOSURES

TOPIC	ACCOUNTING METRIC	UNIT OF MEASURE	2021	2022	2023	SCOPE OF CONTRACT	SASB CODE
<b>CO<sub>2</sub> EMISSIONS</b>							
	Gross global Scope 1 emissions: Financial control <sup>a</sup>	Metric tonnes (t) CO <sub>2</sub>	1,855,290	2,068,902	2,183,699	Operated fleet; Hercules; Linus	TR-MT-110a.1
	Discussions of long-term and short-term strategy or plan to manage Scope 1 emissions, emission reduction targets, and an analysis of performance against those targets	Qualitative description	See page 9-15			Operated fleet	TR-MT-110a.2
	Indirect emissions: Scope 2, purchased electricity <sup>b</sup>	Metric tonnes (t) CO <sub>2</sub>	14.4	Location based: 0.2 Market based: 0.5	Location based: 0.2 Market based: 0.5	HQ	Additional
	Indirect emissions: Scope 3, business travel <sup>b</sup>	Metric tonnes (t) CO <sub>2</sub>	7.2	12.47	11.94	HQ	
<b>ENERGY CONSUMED</b>							
Greenhouse gas emissions	Gigajoules (GJ)	24,358,746	26,806,338	27,722,631	Operated fleet	TR-MT-110a.3	
	Percentage of energy from heavy fuel (%)	58%	53%	50%	Operated fleet		
	Percentage of energy from renewable/low-carbon sources (%)	Not reported	0%	0%	Operated fleet		
<b>EEDI &amp; CARBON INTENSITY INDICATOR</b>							
	Average Energy Efficiency Design Index (EEDI) for new ships <sup>c</sup>	Grams of CO <sub>2</sub> per ton-nautical mil	Not applicable	Suezmax: 2.73 Aframax: 3.53 Car carrier: 21 Container: 14.04	Car carrier: 11.8	Operated fleet	TR-MT-110a.4
	Average Energy Efficiency Design Index (EEDI) for fleet	Grams of CO <sub>2</sub> per ton-nautical mil	Suezmax: 2.75 VLCC: 2.37 Capesize: 2.74 Kamsarmax: 4.79 Handymax: 8.65 Supramax: 6.36 Chem tanker: 14.79 Car carrier: 6.03 Container 1000-1999: 13.43 Container 5000-7999: 7.12 Container 8000-1999: 6.19 Container 12000-14999: 6.28	Aframax 3.87 Suezmax 3.11 VLCC 2.46 Capesize 2.77 Kamsarmax 4.62 Supramax 6.03 Chem tanker 10.20 Car carrier 5.34 Container 1000-1999 8.15 Container 2000-2999 5.76 Container 5000-7999 6.48 Container 8000-11999 5.81 Container 12000-14999 5.83	Aframax 3.87 Suezmax 3.11 VLCC 2.46 Capesize 2.77 Kamsarmax 4.62 Supramax 6.03 Chem tanker 10.20 Car carrier 5.34 Container 1000-1999 8.15 Container 2000-2999 5.76 Container 5000-7999 6.48 Container 8000-11999 5.81 Container 12000-14999 5.83	Operated fleet	Additional
<b>OTHER EMISSIONS TO AIR</b>							
Air Quality	NOx (excluding N <sub>2</sub> O) <sup>d</sup>	Metric tonnes	46,186	50,645	56,198	Operated fleet	TR-MT-120a.1
	SO <sub>x</sub> <sup>d</sup>	Metric tonnes	5,506	5,906	6,243		
	Particulate matter <sup>d</sup>	Metric tonnes	2,181	2,504	2,438		
<b>MARINE PROTECTED AREAS</b>							
	Shipping duration in marine protected areas or areas of protected conservation status <sup>e</sup>	Number of travel days	252	247	249	All vessels/Operated fleet	TR-MT-160a.1
<b>IMPLEMENTED BALLAST WATER</b>							
Ecological impacts	Exchange <sup>f</sup>	Percentage (%)	18%	8%	1.7%	Operated fleet	TR-MT-160a.2
	Treatment <sup>f</sup>	Percentage (%)	82%	92%	98.3%	Operated fleet	
	<b>SPILLS AND RELEASES TO THE ENVIRONMENT</b>						
	Incidents <sup>g</sup>	Number	0	0	2	Operated fleet	TR-MT-160a.3
	Aggregate volume <sup>g</sup>	Cubic meters (m <sup>3</sup> )	0	0	0.06	Operated fleet	

## SUSTAINABILITY ACCOUNTING STANDARD DISCLOSURES

TOPIC	ACCOUNTING METRIC	UNIT OF MEASURE	2021	2022	2023	SCOPE OF CONTRACT	SASB CODE
<b>CORRUPTION INDEX</b>							
	Number of calls at ports in countries that have the 20 lowest rankings in Transparency International's Corruption Perceptions Index <sup>h</sup>	Number	112	266	232	Operated fleet	TR-MT-510a.1
<b>CORRUPTION</b>							
Business ethics	Total amount of monetary losses as a result of legal proceedings associated with bribery or corruption	Reporting currency	0	0	0	Operated fleet	TR-MT-510a.2
	<b>FINES AND SANCTIONS</b>						Additional
	Number of fines and total monetary value of fines	Number and reporting currency	0	0	0	Operated fleet	
	Non-monetary sanctions for non-compliance with laws and/or regulations	Number	0	0	0	Operated fleet	
<b>LOST TIME INJURY FREQUENCY</b>							
Employee health and safety	Lost time injury frequency (LTIF) <sup>i</sup>	Rate	0.11	0.21	0.46	Operated fleet	TR-MT-320a.1
	<b>MARINE CASUALTIES</b>						TR-MT-540a.1
	Incidents <sup>j</sup>	Number	0	0	0	Operated fleet	
	Very serious marine casualties <sup>k</sup>	Percentage	0	0	0	Operated fleet	
<b>CONDITIONS OF CLASS</b>							
Accident & Safety Management	Condition of class or Recommendations <sup>m</sup>	Number	0	0	0	Operated fleet	TR-MT-540a.2
	<b>PORT STATE CONTROL</b>						TR-MT-540a.3
	Deficiencies <sup>l</sup>	Rate	1.32	0.85	1.17	Operated fleet	
	Detentions <sup>l</sup>	Number	0	0	1	Operated fleet	
<b>INDIVIDUALS IN THE ORGANISATION'S GOVERNANCE BODIES BY DIVERSITY CATEGORIES (AS OF DECEMBER 31, 2023)</b>							
	MALE	FEMALE	UNDER 30 YEARS OLD	30-50 YEARS OLD	OVER 50 YEARS OLD		
Board of Directors	5	1	0	3	3		
<b>EMPLOYEES BY DIVERSITY CATEGORIES (AS OF DECEMBER 31, 2023)</b>							
	MALE	FEMALE	UNDER 30 YEARS OLD	30-50 YEARS OLD	OVER 50 YEARS OLD		
Temporary (Headcount / FTE)	0	0	0	0	0		
Permanent (Headcount / FTE)	14 / 13,42	9 / 9	2 / 1,42	12 / 12	9 / 9		
Full-time (Headcount / FTE)	14 / 13,42	9 / 9	2 / 1,42	12 / 12	9 / 9		
Part-time (Headcount / FTE)	0	0	0	0	0		
<b>LOCATION</b>							
	<b>HEADCOUNT / FTE</b>						
Cyprus	2 / 2						
Norway	9 / 8,42						
United Kingdom	8 / 8						
Singapore	3 / 3						
Greece	1 / 1						



#### 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: all vessels, based on fuel consumption for the year.

**<sup>b</sup> Indirect CO<sub>2</sub> emissions:** Scope 2 is based on electricity consumption in reporting year for our Head Office in Oslo and calculated using the AIB Production Mix 2022 conversion factors (location based) and NVE conversion factor (market-based). In 2023, SFL secured 100% renewable energy to the Company’s Head Office in Oslo through a retail supply contract with an electricity supplier. Certificate (GoO) was delivered to SFL from our selected vendor (Veni Energy). Scope 3 is based on business travel (onshore employees) in the reporting year, with figures provided by travel agent.

**<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 2022 (keel laid after July 2013).

**<sup>d</sup> Particulate matter (PM), NOx, SOx emissions (Metric tonnes):**

The methodology has been developed with support from DNV, based on IMO factors.

**<sup>e</sup> Shipping duration in marine protected areas or areas of protected conservation status:** A marine protected area is not 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 Organisation (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% 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 Perceptions 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 injury frequency (LTIF):** A lost time injury is an incident that results in absence from work beyond the date or shift when it occurred. Lost time injury 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 are 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, or (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> Port State Control:** Number of port state control deficiencies (1) and detentions (2). 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>m</sup> Number of Conditions of Class or Recommendations:** Those conditions/recommendations of class that has led to withdrawal of vessel certificates of otherwise has invalidated the ship’s compliance are included in this figure.

**<sup>n</sup> Number of shipboard personnel:** Only the number of employees on board ships at any time is 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 vessels which were in possession of the shipowner during the reporting year.

**<sup>q</sup> Number of assets in fleet:** Reported number of owned during the reporting year.

**<sup>r</sup> Number of vessels port calls:** Total number of port calls during the reporting period.

**GRI INDEX**

GRI STANDARD	DISCLOSURE	LOCATION
<b>GRI 2: GENERAL DISCLOSURES 2021</b>		
2-1	Organisational details	Page 2. The Company's Headquarter is in Bermuda
2-2	Entities included in the organisation's sustainability reporting	Page 2-3. Please also see 2023 Annual report
2-3	Reporting period, frequency and contact point	Page 3
2-4	Restatements of information	There were no restatements of information made in the reporting period.
2-5	External assurance	Partial assurance – Scope 1 CO <sub>2</sub> emissions verified by DNV.
2-6	Activities, value chain and other business relationships	Page 2
2-7	Employees	Page 20; 29
2-8	Workers who are not employees	Page 22-23
2-9	Governance structure and composition	Corporate Governance report in the Annual Report for 2023 and <a href="#">Corporate Code of Business Ethics and Conduct</a>
2-10	Nomination and selection of the highest governance body	Corporate Governance report in the Annual Report for 2023 and <a href="#">Corporate Code of Business Ethics and Conduct</a>
2-11	Chair of the highest governance body	<a href="#">Directors and Executive Officers - SFL</a>
2-12	Role of the highest governance body in overseeing the management of impacts	Page 6. Corporate Governance report in the Annual Report for 2023.
2-13	Delegation of responsibility for managing impacts	Page 6
2-14	Role of the highest governance body in sustainability reporting	Page 6
2-15	Conflicts of interest	<a href="#">Corporate Code of Business Ethics and Conduct</a>
2-16	Communication of critical concerns	Page 21-22; 24; 26
2-17	Collective knowledge of the highest governance body	Corporate Governance report in the Annual Report for 2023.
2-18	Evaluation of the performance of the highest governance body	Corporate Governance report in the Annual Report for 2023.
2-19	Remuneration policies	Corporate Governance report in the Annual Report for 2023.
2-20	Process to determine remuneration	Corporate Governance report in the Annual Report for 2023.
2-21	Annual total compensation ratio	Not Reported
2-22	Statement on sustainable development strategy	Page 5
2-23	Policy commitments	Page 6. <a href="#">Corporate Governance - SFL</a>
2-24	Embedding policy commitments	Page 6; 9; 17; 19; 22; 26
2-25	Processes to remediate negative impacts	Page 22-23; 26
2-26	Mechanisms for seeking advice and raising concerns	Page 21-22; 24; 26
2-27	Compliance with laws and regulations	Page 9; 17; 22; 26
2-28	Membership associations	Page 8
2-29	Approach to stakeholder engagement	Page 6-7
2-30	Collective bargaining agreements	Page 23

**GRI INDEX**

GRI STANDARD	DISCLOSURE	LOCATION
<b>GRI 2: GENERAL DISCLOSURES 2021</b>		
3-1	Process to determine material topics	Page 6-8
3-2	List of material topics	Page 7
<b>MATERIAL TOPIC: DIRECT EMISSIONS</b>		
3-3	Management of material topics	Page 9-11
305-1	Direct (Scope 1) GHG emissions	Page 11; 16; 28
305-2	Indirect (Scope 2) GHG emissions	Page 16; 28
305-3	Indirect (Scope 3) GHG emissions	Page 9; 13; 16; 28
305-7	Nitrogen oxides (NO <sub>x</sub> ), sulphur oxides (SO <sub>x</sub> ), and other significant air emissions	Page 17-18; 28
<b>MATERIAL TOPIC: ENERGY MIX</b>		
3-3	Management of material topics	Page 9; 14-15
302-1	Energy consumption within the organisation	Page 28
<b>MATERIAL TOPIC: CORRUPTION RISK</b>		
3-3	Management of material topics	Page 25-26
205-2	Communication and training about our anti-corruption policies and procedures	Page 24
205-3	Confirmed incidents of corruption and actions taken	Page 26; 29
<b>MATERIAL TOPIC: SPILLS AND RELEASES</b>		
3-3	Management of material topics	Page 17-18
306-3	Significant spills	Page 18; 28
<b>MATERIAL TOPIC: OCCUPATIONAL HEALTH AND SAFETY</b>		
3-3	Management of material topics	Page 20-21
403-1	Occupational health and safety management system	Page 9; 20-21
403-6	Promotion of worker health	Page 20-21
403-9	Work-related injuries	Page 20-21; 29
<b>MATERIAL TOPIC: DIVERSITY AND EQUAL OPPORTUNITY</b>		
3-3	Management of material topics	Page 24
405-1	Diversity of governance bodies and employees	Page 29
<b>MATERIAL TOPIC: SUPPLIER SOCIAL ASSESSMENT</b>		
3-3	Management of material topics	Page 22-23; 27
414-1	New suppliers that were screened using social criteria	Page 22-23; 27

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