SUSTAINABILITY-LINKED FINANCING FRAMEWORK
MARCH 2024

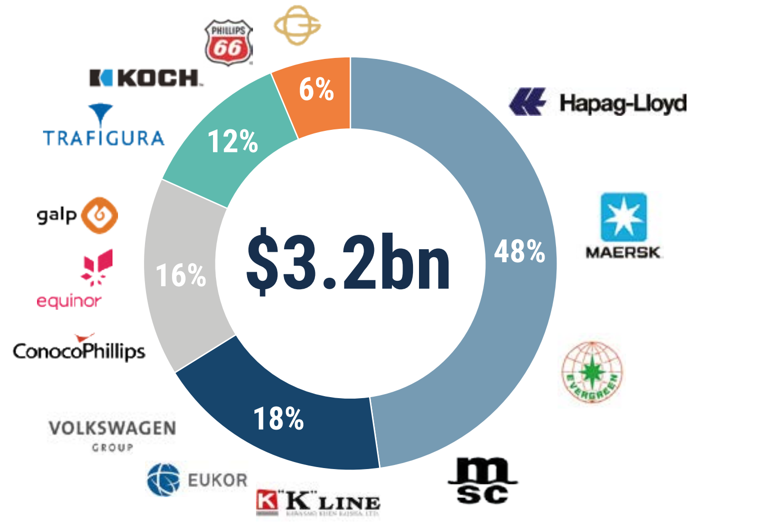
BRIEF INTRODUCTION TO SFL

SFL Corporation Ltd. was established in 2003 and listed on the New York Stock Exchange in 2004. The company currently owns a modern fleet of vessels and rigs, the majority of which have been chartered out on long term contracts. SFL's business model is to own and acquire modern maritime assets in combination with long term charters to high quality companies in multiple end markets. Owning a diversified portfolio of vessels on long term charters provide high earnings visibility, lower residual value risk and lower concentration risk to an individual shipping market or specific customer. It further enables the Company to continuously reinvest in n ew assets and pay attractive dividends.

PORTFOLIO [1]		CONTRACT DURATION [2]
36	Container	6.2 years
7	Car carrier	7.7 years
13	Tanker	3.8 years
2	Energy	3.8 years
15	Dry bulk	4.6 years

CHARTER HIRE Q4 2023

CONTRACTED REVENUE [3]



1 Including partly owned vessels and acquired vessels yet to be delivered to SFL. 2 Average charter term weighted by charter revenues and excluding charterer option periods, and adjusted for subsequent sales and acquisitions. 3 Fixed rate backlog as of December 31, 2023 including subsequent sales and acquisitions, fully owned vessels, rigs and 100% of four partially owned 19,000 TEU container vessels, which SFL also manages. The backlog excludes charterers' extension options and purchase/cancellation options (if applicable)

SUSTAINABILITY AT SFL

At SFL, ESG is a core aspect of how we work, and it 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. SFL is constantly considering how to increase efficiency and reduce the greenhouse gases emitted from our vessels: We believe this will generate both environmental and economic advantages. Worldwide waterborne transport remains the most cost and energy efficient means of transporting large volumes of commodities and produced goods. As such, shipping supports and enables international trade with dedicated fleets optimized for specific trade patterns or cargo needs, ensuring optimal trade flows.

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 has established a comprehensive Compliance Programme to ensure that we conduct our business in an honest and ethical manner.

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

Some 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 and stay up to date on the newest technological developments.

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

In addition, we actively participate in and support the following initiatives:

- **The Neptune Declaration**
- **The Maritime Anti-Corruption Network (MACN)**
- **The Clean Shipping Alliance**
- **The International Association of Independent Tanker Owners (Intertanko)**
- **Oil Companies International Marine Forum (OCIMF)**

SUSTAINABILITY PRIORITIES

To identify areas that are material to our business, we undertook a comprehensive materiality assessment in 2020 following the GRI Materiality Standard (GRI 3, 2021) and the SASB Marine Transportation Standard (2018).

In 2023, we reviewed these topics against stakeholder feedback; market, regulatory and technological developments; and the reporting of our peers.

Our review of potential material impacts considered both the severity and likelihood of our impacts on the environment, society and the economy, as well as financial materiality. The following topics have been deemed by the Board of Directors as material for inclusion in this report:

- **Direct GHG emissions**
- **Low carbon energy sources**
- **Climate-related transition risks**
- **Marine casualties involving crew**
- **Corruption risk**
- **Ship recycling**
- **Spills and releases**
- **Training – compliance training and training on board (e-based)**

SFL has established specific targets towards 2026 for the material areas:

	SDGs	ESG TARGETS		2022 PERFORMANCE
E	13 Climate Action	Annual year-on-year AER improvement (fleet average)	2%	**3.8%**
		Number of spills	0	**0**
S	3 Good Health and Well-Being	Lost time incident rate	0	0.21
G	17 Partnerships for the Goals	Share of business partners screened for ESG compliance annually	100%	100%
	4 Quality Education	Awareness raising – employees to complete selected e-learning modules annually	100%	100%

This Sustainability-Linked Financing Framework ('SLFF') is emphasizing the top three of our material topics, which are interlinked and all related to climate action. This does not mean that we are not working diligently on all material topics, however, for the purpose of this SLFF, we believe a narrow focus is beneficial: Greenhouse gas emissions deriving from maritime shipping activities have significant implications for air quality and the climate. Growing concerns about climate change have led the industry to take actions through more stringent ambitions.

Despite being 16 times more energy-efficient than other modes of freight transport on average, maritime shipping is responsible for close to 3 % of global annual carbon emissions[1] 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.

To support the decarbonization of shipping, IMO has established the Carbon Intensity Indicator, stated in grams of CO2 emitted per cargo-carrying capacity and nautical mile (also referred to as Annual Efficiency Rating (AER)). The IMO set the CII reduction rates to 1 percentage point (pp) per year for 2020–2022, followed by 2 pp per year for 2023–2026. The rates for 2027–2030 will be decided as part of the review to be concluded by 1 January 2026.[2] SFL will update its annual AER target in accordance with IMO's 2027-2030 rates in due course.

SFL is committed to maintaining an attractive fleet of assets and contribute to the net-zero emissions ambition by 2050. Building a competitive green fleet is key to protecting SFL's position as leading provider of tonnage, to ensure a future where responsible shipping meets profitable business. We see decarbonization as an investment in the future.

Vessel design and speed are material drivers of emissions. Our customers control the speed and trade routes of the assets we own, hence 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. It is with this in mind that we have now established this Sustainability-Linked Financing Framework ('SLFF').

The magnitude of energy savings and associated carbon emissions are considerable for fleet renewals: Our newbuildings emit in the region of 40% less CO2 than the vessels they substitute. Furthermore, we saw for example an efficiency gain on SFL Maui of 23% per TEU after upgrades; propeller, bow, and other energy saving optimization.

Although we have already implemented several efficiency measures, we will gear up our fleet optimization and fleet renewal plan to meet the CO2 emission reduction ambitions. We also realise that our assets can be fitted with new features to enable our clients to reach their markets with emission reduction technologies, and we are assessing what role we can play in this space. Any recommissioning of ships will be conducted in accordance with responsible ship recycling principles.

We are currently implementing our "Decarbonisation journey towards 2030-2050". The purpose of this strategy is to provide us with a solid understanding of how to further optimise our fleet and operations in a cost-efficient and sustainable way using a holistic and systematic approach.

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 toward our charter market**
- **Being better positioned toward cargo owners and end-consumers**
- **A more carbon-robust fleet with lower emissions**
- **Future-proofing compliance with upcoming regulations**

1 Fourth Greenhouse Gas Study 2020 (imo.org)
2 IMO update: Marine Environment Protection Committee – MEPC 76 (dnv.com)

SFL'S DECARBONISATION TOOLBOX

SFL's fleet is equipped with various energy-saving technologies, and the figure below outlines the initiatives we invest in:

AREA	ATTAINABLE EFFICIENCY GAINS	TECHNOLOGY	
TECHNICAL EFFICIENCY	1-10%	Hull & Propeller	Hull form optimization Hull coating Air cavity lubrication Hull retrofit (bulb) Propeller re-fitting Propulsion improvement devices
		Engines	Hybridization Engine de-rating Engine tuning Shaft motor (PTO)
		Additional power generation	Waste heat recovery Shaft generator Solar power Shore power
		Aux power demand	Variable freq. drive LED lighting HVAC systems Maneuvering equipment
		Boiler systems	Steam plant operation Exhaust gas boiler Cargo systems
FUTURE PROPULSION	10-100%	Onboard carbon capture	
		Assisted propulsion	Sails Rotor sails Kites
		Alternative fuels	Dual fuel LNG/LPG Biofuels Ammonia Methanol Hydrogen
OPERATIONAL EFFICIENCY	1-15%	Underwater operations	Hull maintenance Propellor polishing
		Voyage planning & execution	Weather routing Trim & Draft optimization Engine load optimization Rudder use optimization
BUSINESS STRATEGY EFFICIENCY	1-25%	Crew engagement	Edge computing AI assistance Crew training
		Speed reduction	
		Cargo utilization optimization	Overall trade slow down Virtual port queue Just in time arrival Triangulation

● Fleet wide implemented ● Partially implemented ● Pilot stage

SFL AND SUSTAINABILITY-LINKED FINANCING

In light of our materiality analysis and in line with the IMO 2050 Strategy, we believe that our emphasis on environmental performance is key to the future success of SFL. Therefore, we will use our industry know-how, financial capacity and asset base to contribute to reducing CO2 emissions. Managing material environmental, social and governance aspects in general are also essential to reach our ambition of creating stability in both charter revenues and operating costs, supporting our long-term distribution capacity.

This Sustainability-linked Financing Framework is based on the principles of the International Capital Markets Association (ICMA). The Principles are voluntary process guidelines that outline best practices for financial instruments to incorporate forward-looking ESG outcomes and promote integrity in the development of Sustainability linked financing frameworks. SFL's Framework is based on the following core Principles:

1: Selection of Key Performance Indicator (KPI)
2: Calibration of Sustainability Performance Target (SPT)
3: Bond Characteristics
4: Reporting
5: Verification

1: SELECTION OF KEY PERFORMANCE INDICATOR (KPI)

To reduce the environmental impact of our operations, we aim to improve the environmental performance of our fleet and ensure all ships decommissioned are handled responsibly. It is relevant to our long-term strategy, in providing vessels that are attractive in a market facing stricter environmental regulations as well.

Vessel emissions performance depends on many factors such as speed, design, weather-routing and, of most importance, the choice of fuel. Several of the primary factors, including speed, are solely under the control of our charterers. However, through continuous dialogue with the charterers we aim to cooperate to find optimal solutions.

SFL's primary means of improving the environmental performance of our overall fleet is the design and construction of new vessels, as well as upgrading existing ones. We are also aware that our operations pose potential risks of a negative footprint in the environments that we operate in.

We have therefore chosen the following Key Performance Indicator:

Carbon emission reduction based on improving annual year on year AER, based on fleet average.

2: CALIBRATION OF THE SUSTAINABILITY PERFORMANCE TARGET (SPT)

Optimizing and upgrading our existing vessels, and ensuring low-emission solutions, designs and construction of vessels to be acquired constitutes our approach to enhance the environmental performance of our fleet. SFL's Sustainability Performance Targets (SPT) are defined as:

Improved annual year on year AER with at least 2.00% by 2026, consistent with the KPI.

In addition to optimizing and upgrading the existing fleet, We intend to achieve this SPT through capital expenditures on dual-fuel vessel acquisitions and potentially through the retrofitting of existing vessels with dual-fuel capabilities, or other carbon reducing technologies.

A vessel with an alternative and/or low-carbon emission fuel source ("Alternative Fuel Source") is defined as a fuel source that emits significantly less CO2 than with conventional technology.[3] Examples include the use of LNG, bio- or electro- methane, hydrogen, bio-diesel, LPG, and ammonia.

SFL will review and update the SPT in accordance with IMO's 2027-2030 rates in due course, latest by 2026.

3: BOND CHARACTERISTICS

Our Sustainability-Linked Bond contains the characteristics of a conventional bond but with a penalty provision attached. Should SFL fail to meet the SPT by the Target Observation Date, the principal repayment upon maturity will increase by 0.50 % (i.e. 100.50).

For the avoidance of doubt, for the bond characteristics to remain unchanged, SFL must (i) reach the applicable SPT at the Target Observation Date, and (ii) provide and make public the relevant reporting and verification (as per the reporting section of this Framework).

4: REPORTING

To ensure investors and other stakeholders are updated on the progress of ESG performance including emission reduction and ship recycling, we will publish an annual ESG report on our website, which will contain all relevant information needed to assess the KPI performance for the relevant reporting period. The ESG report will include:

Up-to-date information on the performance of the KPI versus the SPT.

Any relevant information enabling investors to monitor the progress of our performance relative to the SPT.

Any update in the sustainability strategy, vision or plan related to, or impacting, the KPI and SPTs.

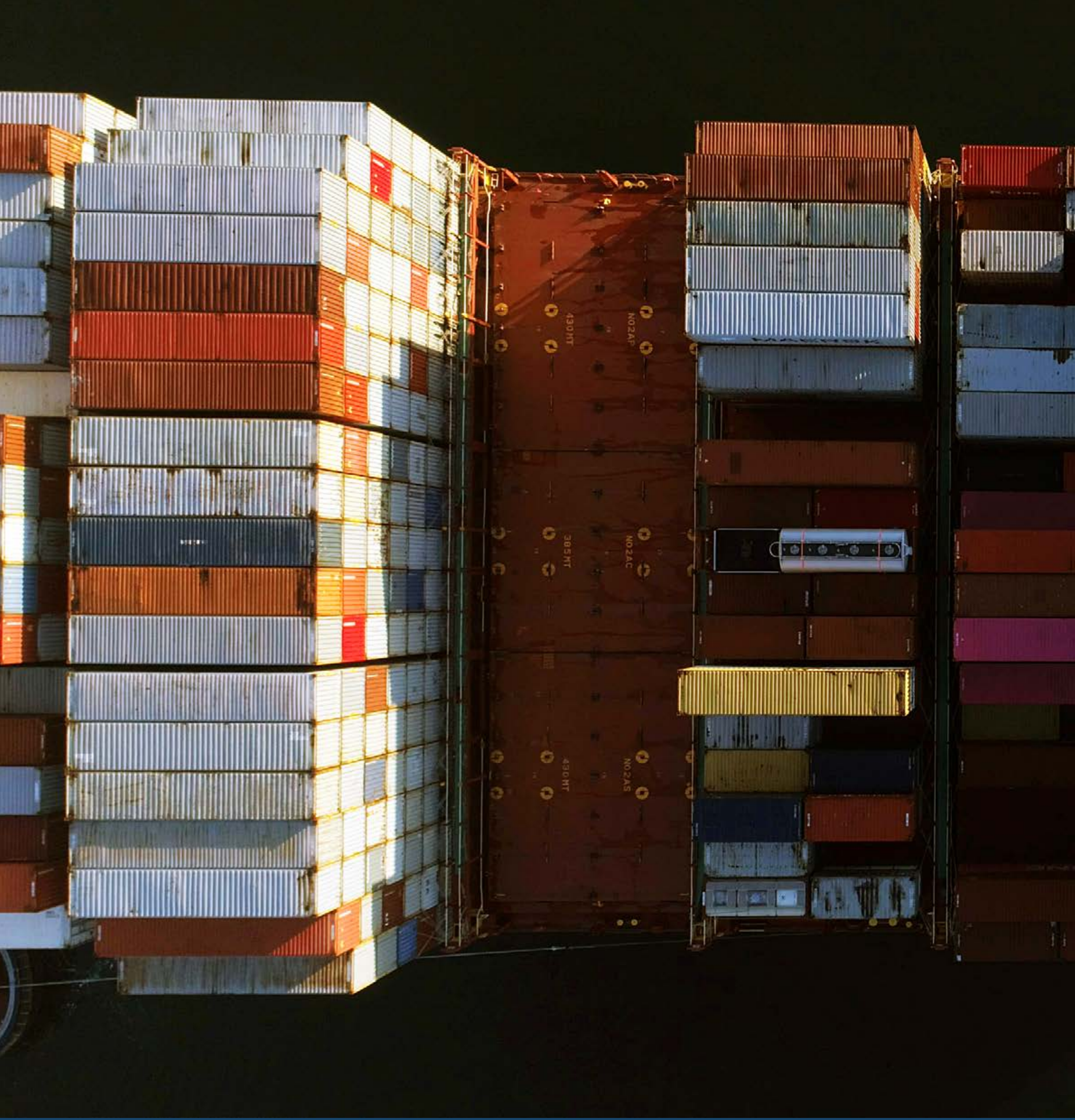
Updates on new or proposed regulations from regulatory bodies (such as but not limited to IMO and EU) relevant to the KPI and the SPTs.

5: VERIFICATION

We will ensure an external and independent verification of our actual KPI performance relative to the SPT (the Verification Report) is published on an annual basis and in relation to the Target Observation Date. The verification shall be conducted by a reviewer with relevant expertise. The Verification Report shall be made public together with the Sustainability-Linked Finance Performance Report.

SECOND PARTY OPINION

SFL has engaged the ESG firm Position Green as an external reviewer to provide, based on the voluntary Guidelines for External Reviewers developed by ICMA, an independent, ex-ante Second Party Opinion on SFL's Sustainability-Linked Bond Framework. The Second Party Opinion report will be made publicly available on SFL's website.



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