



# Annual ESG engagement report

**2018 - 2019**





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# Message from the Director of Investor Relations

I am pleased to present the **Fifth Annual Report of ESG Investors at Repsol**, where we assess our communication with these investors during 2018 and early 2019, advancing some of our priorities for this year.

This report is yet more proof of our **commitment to transparency** in communication with our investors. We also think it is a useful tool to analyse the milestones achieved, and the dialogue with investors in which we participate. Our objective is always to strengthen the productive dialogue we hold with our ESG investors.

We are strongly committed to excellence in communicating our performance in terms of sustainability and Good Governance. Our annual Sustainability Day event in the City of London and the Senior Management Roadshow are important milestones for us. After adding the work of Investor Relations, during 2018, we met with 153 ESG investment specialists in 13 cities in Europe, North America, Asia, and the Pacific, giving us the opportunity to gain first-hand knowledge of the priorities and expectations of these investors.

The increase in the presence of ESG investors in our shareholder base, which in late 2018 first reached **30.2%** of the total number of shares managed by institutional investors, is an indicator that helps us to measure the effectiveness of our ESG communication with investors.

It is important to emphasise that the achievements in ESG communication at Repsol with investors during 2018 would not have been possible without the **leadership of our CEO, Mr Josu-Jon Imaz**, the Senior



Management team and the coordinated activities of Investor Relations, and our specialists at the Sustainability Direction.

Sustainability is part of Repsol's DNA and we want to continue to work to become part of the solution to the sustainability challenges faced by our Company.

I would like to take the opportunity through this report to thank our investors for their trust and reiterate our firm commitment to constructive dialogue.

# Notable events 2018 - 2019



**01**

# 01 / Notable events 2018-2019

The year 2018 was a key year in our strategy. Repsol has updated its Strategic Plan and acquired some relevant low-emissions electricity generation assets to promote its transformation into a multi-energy company. All of this within our financial flexibility and with the objective of increasing the remuneration to our shareholders.

Below we summarise the most important milestones of the year:

- In 2018, the Company finalised the process of selling its stake in **Naturgy**, with the intention of substituting this stake in a company whose operation is in a regulated market with the investment in unregulated low-emissions assets, electricity and gas.
- In June of 2018, Repsol published its Strategic Plan update for **2018-2020**:



*2018-2020 Strategic Plan Update:*  
<http://bit.ly/StrategicUpdate18Repsol>

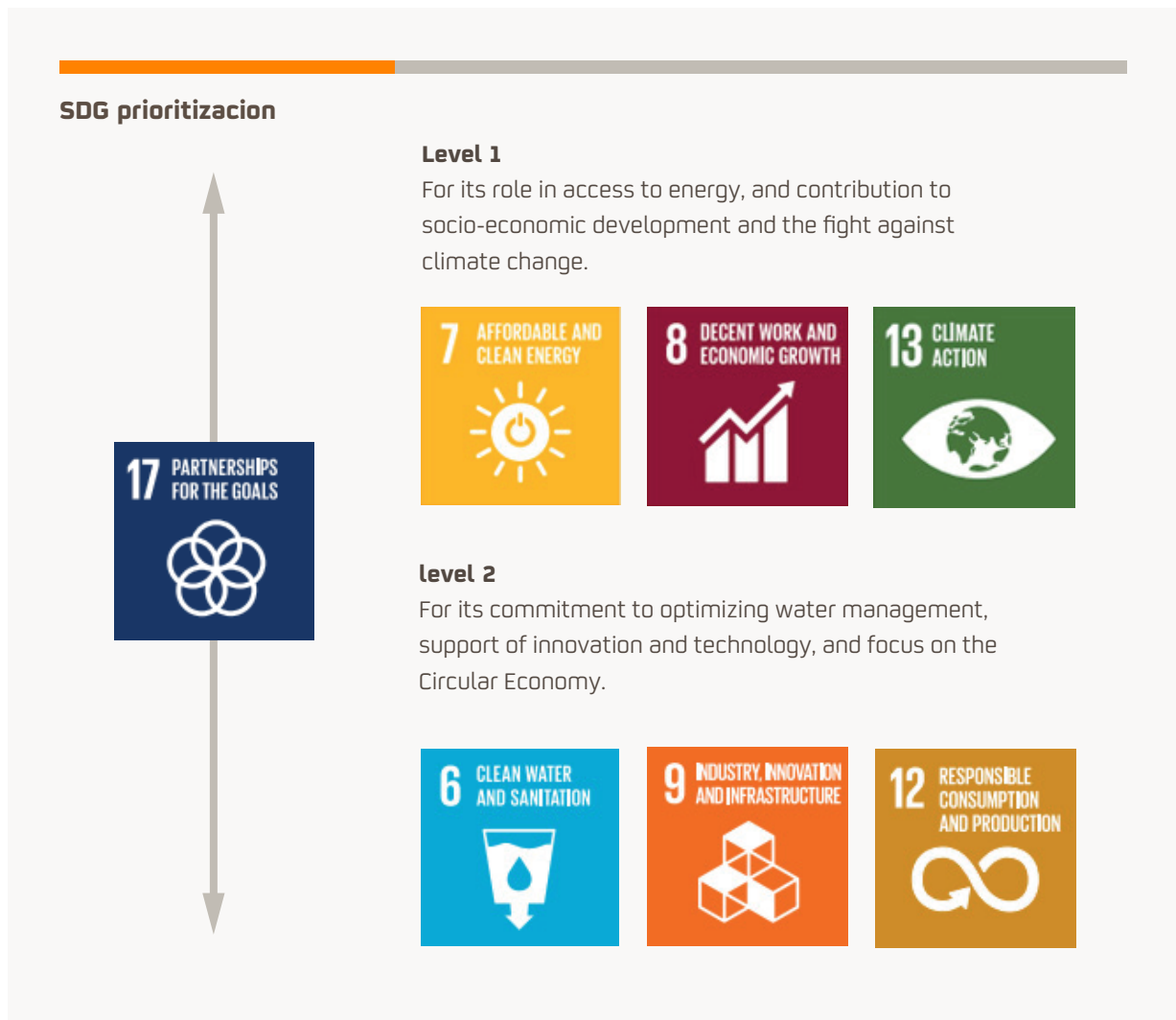
- The strategic update was done taking into account sustainability criteria and keeping in mind the interactions with our investors. Repsol has long assumed its responsibility as a key player in the energy transition. We are absolutely committed to the fight against climate change, and we work so that each day our business generates less intensity of emissions, being absolutely aware of the need to reconcile the growing demand for energy, with respect for the planet.
- After having analysed different scenarios compatible with the 2°C goal for each business, we remain committed to gas as the optimum source of energy for the energy transition (at the end of 2018, **73%** of our **reserves** were **gas** and **63%** of our **production** was **gas**). We are increasing our exposure in the chemical business where the final use of the product does not generate CO<sub>2</sub> emissions, and diversifying our portfolio with low carbon business.

All this was done without having a presence in high CO<sub>2</sub> impact assets such as oil sands, LNG businesses, or drilling in ice-covered water.

- **Our strategic road map towards 2020** is supported by three fundamental pillars: the profitable growth of the Upstream and Downstream businesses, the increase of our returns to shareholders, and **progress towards the energy transition**. Our goal is to transform ourselves into a **global, multi-energy company**, able to provide any type of energy to its clients, either in the mobility sector or through power generation and the commercialisation of gas and electricity. This transformation is compatible with our traditional business and with our vision to generate value in sustainable way for the society's progress.
- In line with this strategy, the Company has the ambition to invest **€2,500 million** until the year 2020 in businesses with a **low carbon impact**. Our intention is to progressively incorporate into our portfolio assets that allow us to make our energy supply more sophisticated and in line with our clients' needs. At the close of this report, Repsol has already invested €800 M.
- It is key to mention that any future investment will be made considering the **return on investment most suited** to our shareholders' profile. The Company's transformation will always be done considering a **double digit** rate of return. In this sense, the purchase of the unregulated low-carbon businesses of Viesgo and Valdesolar Hive, fit perfectly within this strategy.

- Likewise, and in line with our commitments, Repsol has been the first company among its peers to define goals for **2020 for reducing carbon intensity** in the energy it supplies. It has also established commitments for **reducing methane emissions and routine gas flaring** for 2025.
- We remain firm in our commitment to transparency and disclosure of information. In 2018, Repsol implemented an integrated reporting methodology, in line with the recommendations laid out in the **Task Force on Climate-Related Financial Disclosures** initiative, which aims to report the financial impact of climate change risks in our portfolio.
- Furthermore, Repsol supports the **United Nations 2030 Agenda for Sustainable Development** and uses the **17 Sustainable Development Goals (SDGs)** as a baseline to define its priorities on sustainability strategy issues. This prioritisation has been realised considering the SDGs more relevant by the company and our stakeholders. In this way, we have concluded that our efforts should be directed to:
  - › SDGs 7, 8 and 13, due to our role in providing access to energy, our socioeconomic contribution to development and the fight against climate change.
  - › SDGs 6,9 and 12, based on our commitment with the sustainable management and the efficient use of resources in our operations
  - › SDG 17, with the thought that collaboration between entities, both public and private, is key to reach the commitments of the United Nations Agenda.





Over the last few months, the dialogue process with our ESG investors has been a key part in defining the Company's strategy. Throughout all these talks, the commitment and dedication of senior management, headed by our CEO Josu Jon Imaz, has been, and is, fundamental.

In 2019, we hope to continue offering opportunities to meet our ESG investors and other potential investors, as well as to maintain a high standard and dedication to the service we offer.

# Main activities carried out in 2018 and the beginning of 2019



## 02 / Main activities carried out in 2018 and the beginning of 2019

Repsol's Senior Management and Investor Relations team carried out intensive communication efforts during this period, visiting not only traditional financial centres, but also meeting for the first time with investors in the US, Canada, Asia, and Oceania.

In addition to celebrating our now established **Sustainability Day** in London, the team carried out **20 Roadshows** in **13** different cities (London, Paris, Amsterdam, Stockholm, Oslo, Boston, New York, Montreal, Toronto, Vancouver, Tokyo, Sydney, and

Melbourne). They visited a total of **152** ESG specialists, **42** of which were institutions we met for the first time. The number of investors visited during this period accounted for **72%** of all Repsol ESG shareholders.

### ROADSHOWS



### SPECIALIST VISITED



**152**

ESG SPECIALIST




**42**

INSTITUTIONS WE MET  
FOR THE FIRST TIME



**72%**

OF ALL REPSOL ESG  
SHAREHOLDERS



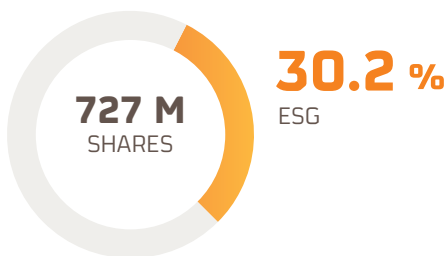
**Presence of ESG  
institutional  
investors in  
Repsol has  
increased  
~260% since  
2010**

## 01. Monitoring of the development of ESG investors in Repsol's shareholder structure

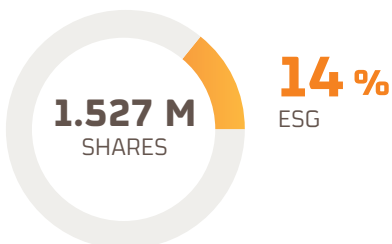
ESG investors' participation in Repsol's shareholders structure reached historic highs in 2018. **As of the end of December 2018, ESG investors manage 30.2% of our institutional structure of shareholder base** (~220 million shares / 727 million shares) and **14%** of all our share capital (~220 million shares / 1.527 million shares). The current percentage of ESG investment has increased ~260% since 2010.



### INSTITUTIONAL OWNERSHIP



### TOTAL SHARE CAPITAL

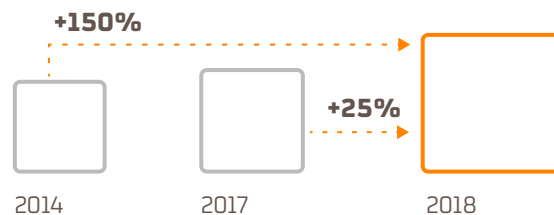


## 02. 5th Edition of our Sustainability Day and Senior Management Roadshow 2018

In November of 2018, Repsol held the **fifth edition of Sustainability Day in London**. For the third year in a row, the event was directed by our **CEO Josu Jon Imaz**, and included, for the first time, the attendance of **Antonio Lorenzo, CFO**, and **Luis Cabra, Executive Managing Director of Technology Development, Resources, and Sustainability**.

Around **40** attendees, including ESG investors, climate change and sustainability experts, as well as purely financial analysts, had the opportunity to listen and dialogue with Senior Management during the different presentations that took place at the event, such as, the advances in the way of energy transition, the recent purchase of Viesgo's unregulated assets, our Safety, Environment and Climate strategy to 2025, and the excellent execution of all our projects as in the Reggane project in Algeria.

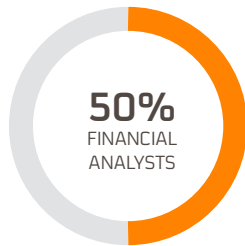
### SUSTAINABILITY DAY ATTENDANCE



Attendance was approximately **25%** higher compared to 2017, and was **150%** higher than the first event in 2014.

The following aspects were notable:

- › The attendance of associations with high prestige and influence within the investment community, often critical of the hydrocarbon industry's role in the energy transition (**Church of England, Carbon Tracker, Climate Bond Initiative**)
- › **Fifty percent** of the audience was made up of financial analysts, which shows that ESG issues are being progressively incorporated by the financial community in their investment analysis.



You can see the 2018 Sustainability Day presentations and videos at the following link:



<http://bit.ly/RepsolSustainabilityDay>



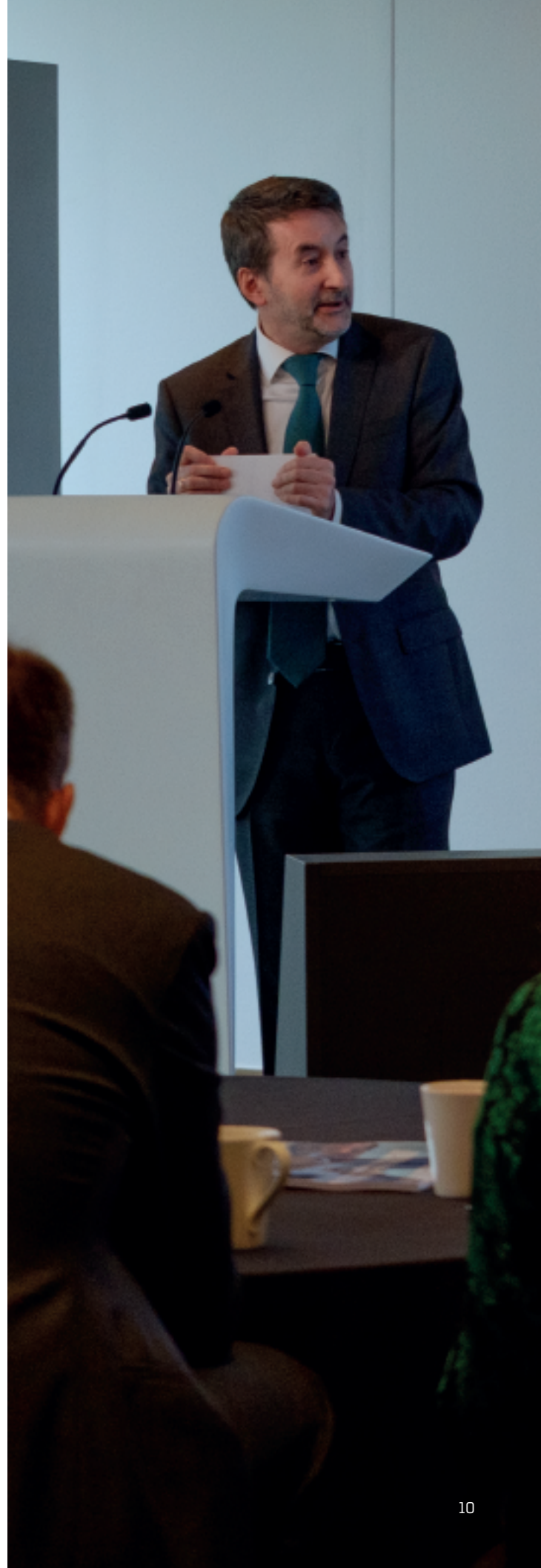
<http://bit.ly/SustaniabilityDayYTlist>

### Next edition

The sixth annual of Sustainability Day will be celebrated in London on the 4th November 2019.



**London**  
4 NOVEMBER  
2019



After the **Sustainability Day**, a Roadshow was organised in London and Paris to visit the most relevant ESG investors, lead by our CEO Josu Jon Imaz, with Senior Management also participating.. The events also

included the participation of ESG sell-side analysts. These meetings were highly valued by the investors, as shown in the following feedback they provided:



*“Very positive meeting”.*

Investor felt that there has been a lot of progress on strategy for the energy transition and communication around.



*“The strategy was well presented – I would have appreciated to see more disclosure around scenario analysis.”*



*“A very interesting meeting, especially the discussions about strategy, climate change scenarios and impacts on the portfolio of assets. The perspective of CEO Josu Jon Imaz on these issues is something we valued a lot”.*



*“Very good discussion. Very well informed participants This is a well-run company on matters concerning ESG and energy transition Good and comforting disclosure for us as investors. We particularly appreciated having the CFO talk about and discuss energy transition.”*



*“Many thanks for the great meeting with your CEO in London”.*



*“We really appreciate the transparency of the company, the quality of the dialogue enabled based on the strong participants”.*

Highlighted that very few companies organize a roadshow with their CEO dedicated to sustainability issues.



*“Thank you again to the Management of Repsol for having taken the time to meet us and for their great achievements over the past two days as regards with their sustainability & climate change strategy. As said during the meeting, I noticed the progress made and the attention given to the concerns raised by investors”.*



*“The meeting was productive and we received constructive feedback on key issues. We appreciate the presence of the CEO accompanied by the Sustainability team focusing on sustainability issues.”*



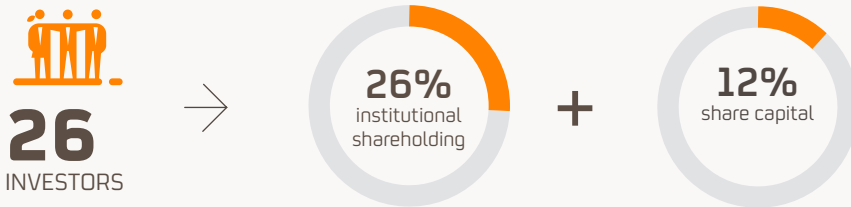
*“We found that the discussions were generally of a high quality and very constructive. We were very pleased that Repsol delegated several senior managers to the meeting, including CEO, and, accordingly, the quality of information was very high.”*



*“Appreciated it was the CEO leading the discussions. The quality of presentation and discussion around their ESG equity story was insightful.”*

A total of **26** institutions representing **190 million** shares (**26%** of our institutional shareholding

structure, **12%** of our share capital] were visited as a result of both events.



### 03 Other Roadshows in Europe, the US, Asia, and Oceania

As we mentioned at the beginning of this report, Repsol's ESG Investor Relations team carried out communication efforts throughout 2018, updating Repsol's message to investors we already met [Paris, London Stockholm, Oslo, New York, Boston] and visiting new markets for the first time. [Tokyo, Sydney, Melbourne, Montreal, Toronto, and Vancouver].

company. Sustainability criteria forms part of Repsol's strategy and is completely integrated in our DNA. For our Company, sustainability is not a form of Greenwashing, but rather it is embedded in the decision-making related to all businesses and has an impact in Management remuneration, and all the employees with variable remuneration within the Company.

In some traditional financial centres on the east coast of the USA (New York), that we had not visited since 2016, we were able to confirm significant progress in the integration of ESG issues among investors in their analysis.

In these first meetings, we talked with investors about the importance that sustainability issues have for the

Our intention for 2019 is to keep reinforcing our message in Europe, the US, and Asia.

#### ROADSHOWS

- Old investors
- New investors

**20**  
ROADSHOWS

**13**  
CITIES





## 04 Corporate Governance Roadshow, February 2019

Within the framework of permanent and continuous dialogue that the company maintains with its most important shareholders and institutional investors as well as proxy advisors throughout the year, a Roadshow was held at the beginning of February 2019 in London, Paris and the Netherlands in order to analyse those subjects that are going to be included in the agenda of the next Annual General Meeting, as well as other subjects related to the corporate governance of the company.

## 05 Revision of the ESG investor presentation

After the announcement of the updated **2018-2020 Strategic Plan**, the content of the ESG investor presentation was updated in order to align with the Company's new roadmap and the progress Repsol has made in its development towards the energy transition.

Also revised were the messages relating to Repsol's performance in the six areas of our sustainability model: climate change, people, safe operations, environment, innovation and technology, ethics, and transparency.

The presentation can be viewed at the following link:



<http://bit.ly/EquityStory>



## 06 Sustainability dialogue initiatives

The dialogue we have had with investors has culminated in Repsol's participation in different dialogue initiatives, set up in the spirit of transparency, to discuss the actions investors expect from companies, in the face of climate change.

Summary:

- **Climate Action 100+**: a campaign for ESG investor collaboration launched at the 'One Planet Summit' in Paris, December 2017. The initiative is backed by over 300 institutional investors who handle assets worth more than \$30 trillion, and also by the organisations involved in Principles for Responsible Investment (UN-PRI), the Institutional Investors Group on Climate Change (IIGCC) and CERES. The goal is to reach out to the companies (starting with 100 of them) so as to draw their attention towards the risks of climate change and call on them to help make the goals of the Paris Agreement more attainable.
- **PRI Initiative on Methane Emissions**: the UN-PRI organisation is the greatest association of ESG investors worldwide, with assets worth over \$80 trillion. One of the most important tasks they undertake is creating investor collaboration platforms. The initiative on methane emissions emerged within this context in 2017 to liaise with oil & gas companies and electric power firms and discuss how to lower methane emissions.
- Meanwhile, the **Institutional Investors Group on Climate Change (IIGCC)** is a smaller but longer standing initiative for coordinated investor action to talk to listed companies about their impact on climate change. Since it emerged in 2001, it has grown to encompass 170 European investors with over \$25 trillion in assets.



# Key figures and aspects



from the dialogue with ESG  
investors during 2018  
and the beginning of 2019

# 03

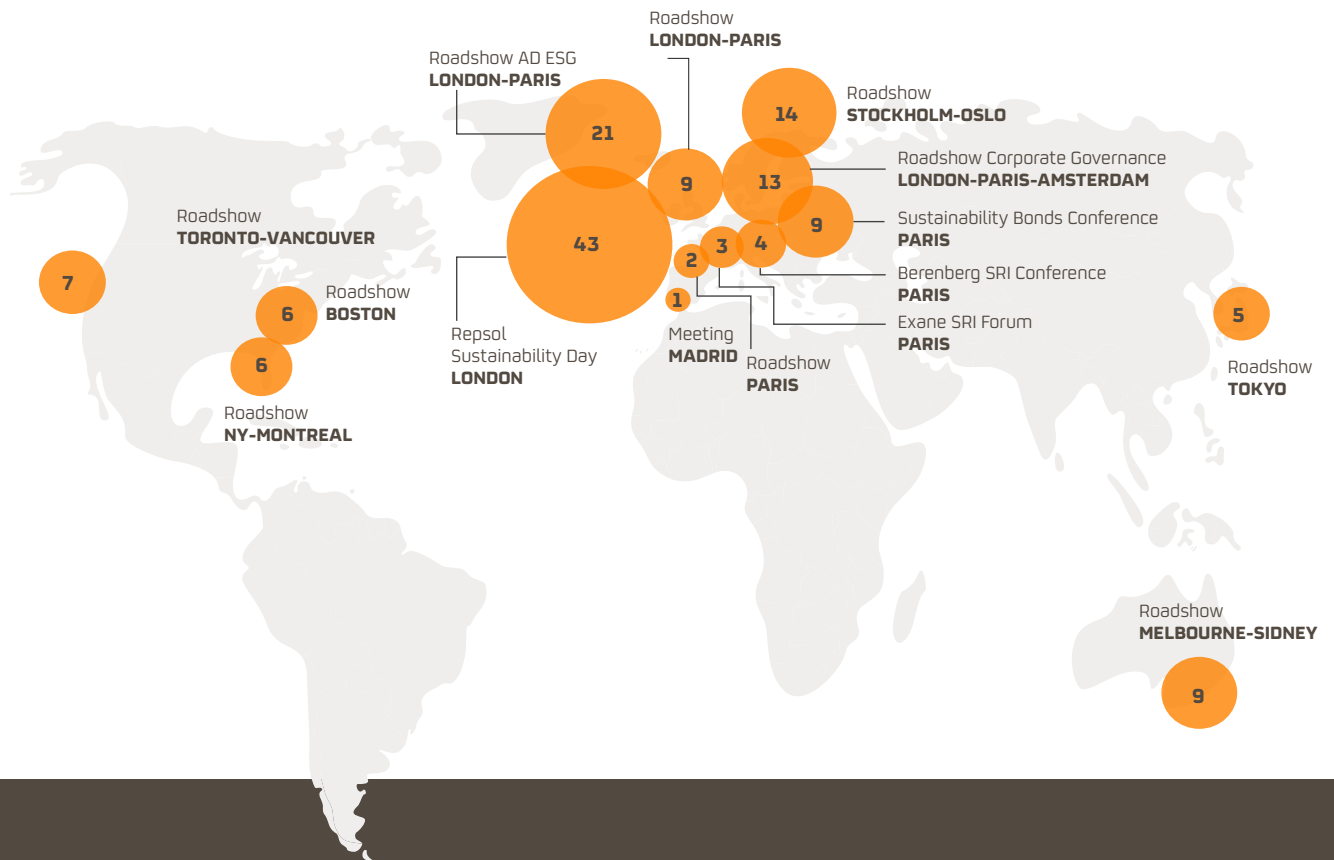
# 03 / Key figures and aspects

A total of **152 ESG** specialists were contacted throughout 2018 and at the start of 2019.

Below, we have summarised the activities carried out during this period and in dialogue with ESG investors:



## Engagement process with ESG investors



# Matters addressed



## 04/ Matters addressed

Below, we have detailed the main messages which were communicated to the investors:

### 01. Repsol's Strategy

Aspects of sustainability form part of Repsol's DNA and are completely integrated in the Company's strategy. All our strategic decisions are made considering sustainability criteria and among other aspects, Repsol's commitment to the 2° C scenario.

Sustainability is one of our main drivers. Sustainability issues are discussed and supervised by the Board of Directors and the Sustainability Committee, and these are integrated in Repsol's risk analysis. Likewise, the company has defined objectives linked to social, safety and environmental targets for all employees with variable remuneration (weighting between 10% in corporate areas and up to 20% in business areas).

Thus, before defining our strategic update, we have made an analysis of different Oil & Gas demand scenarios for each business. By doing this, a framework was defined for the reduction of CO<sub>2</sub> emissions necessary to fulfil the International Energy Agency's (IEA) Sustainable Development Scenario. This scenario is compatible with the objective established in the Paris Agreement roadmap, in order to restrict the increase in global average temperature well below 2°C with respect to pre-industrial levels.

This analysis concluded that Repsol will continue to commit to the production and supply of gas in local

markets through pipeline, increasing our exposure to the chemical business where the final use of the product does not generate CO<sub>2</sub>, and diversifying the asset portfolio towards electricity generation, and gas and electricity commercialisation.

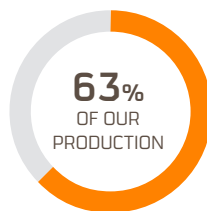
In line with our strategy, all our projects will be sustainable at **\$50 bbl brent**. At the same time, the Company remains committed to the goals it defined for 2020 in the Upstream and Downstream businesses, which include the increase in production from **700,000 to 750,000 barrels of crude oil per day**. **We want to be a global multi-energy company that generates sustainable value for the progress of society, through innovation, efficiency and respect.**

We want to be a global multienergy company that generates sustainable value for the progress of society

Lastly, different detailed discussions continue about the need to accelerate our climate change goals to be compatible with the **1.5° C** scenario, due to the fact that the current effort that the Industry is doing may not be enough to comply with the Paris Agreement. **The uncertainty continues to be the main challenge we face**, and advances and investment in technology will be keys to achieving our goals.

## 02. Our vision on the role of gas

Gas will continue to be the driving force for our strategy [73% of our reserves and 63% of our production at the end of 2018].



We continue to commit to Gas as the most cost-effective solution to promote a structured transition to a low-emissions future, specifically in the power generations field. Because of its intermittent nature, renewable energy cannot be considered the only source for moving towards a more decarbonized world.

Similarly:

- The real alternative for the substitution of carbon for gas as the main source of energy at a global level is linked to the achievement of more competitive gas prices in Asia.
- Gas is consolidated as the main source of energy in the US. Its production and consumption are supported by some very competitive Henry Hub prices.
- The role of gas in Spain, and in the energy transition will be determined most of all by regulatory aspects.

## 03. Investment in low-emissions business

The distinguishing feature that defines our strategy on the road towards the energy transition is that we already have a path to follow. Coherency, confidence, and predictability are Repsol's distinguishing features.

As part of the Strategic Plan update, in June 2018, Repsol defined its commitment to invest €2.5 billion between 2018-2020 in low-emission businesses. The intention has always been to grow in an organic way from the skills and abilities we already possess. In this way, a roadmap to follow was defined with concrete goals for the year 2025.

**1] Participating in the gas wholesale distribution market.** Repsol already consumes 10% of all gas consumed in Spain. We intend to take advantage of that market share and negotiate competitive contracts for supplying gas in our facilities. Part of that acquired gas could be sent to supply combined cycle power plants.

/ Our goal for **2025** is to achieve a market share greater than **15%**.

**2] Participating in the gas distribution retail market.** We plan to take advantage of our current base of **10 million clients** where we have direct contact, to progressively make our service offering more sophisticated and to become a provider of multi-energy services.

/ By **2025**, our goal is to achieve a market share in the retail business greater than **5%** and a client base of 2.5 million.

A photograph of a winding road through a dense forest. Sunlight filters through the trees, creating a dappled light effect on the road. The road has a double yellow line in the center and a white line on the right. The trees are tall and green, with some sunlight hitting the leaves. A white diagonal line is on the right side of the image.

**Gas will  
continue to be  
the driving  
force for our  
strategy**



**3) We intend to participate in the electrical generation business through low carbon energy**, mainly solar and wind energy technologies, as well as through combined cycle power plants (CCGTs).

/ Our goal is to develop the capacity to generate **4.5 GW in 2025**.

We require that our investments yield a **double digit** return on average. Repsol knows its investors very well: it knows the level of risk they are willing to take on and the return on investment they expect. In this sense, we can without doubt compete with other companies in the electricity or utilities sector, since our profile of growth and development is different.

In line with these strategic goals, in June of 2018, Repsol acquired **Viesgo's unregulated low-emissions electricity generation businesses** and its gas and electricity retail business. Specifically, the agreement considered the transfer of two combined cycle power plants with a combined installed capacity of **1,650 MW** and two hydroelectric power plants with an installed capacity of **700 MW**, as well as a portfolio of around **750,000 clients**. At the close of this report, there are **810.000 clients** in the electricity business.

In this way, Repsol became a key player in the Spanish electricity market, with a total installed capacity of **2,950 MW** (2,350 MW of which comes from the transaction, plus **600 MW** from its current cogeneration plants).

The Viesgo transaction:

- Is a perfect fit for our Company's strategy: it takes advantage of the abilities we have and creates value. Our competitive advantage is the **use of the Repsol brand, rated as one of the best worldwide**. After the operation, Repsol has the possibility of accessing **30%** of the homes in Spain as a provider of multi-energy services.

Low emission business:  
Our competitive advantage is the **use of the Repsol brand, rated as one of the best worldwide**

- It signifies Repsol's incorporation as a new operator in the gas and electricity sector, with a long-term industrial vision. At the same time, it reinforces competition in the sector, benefiting all consumers. After the acquisition, **Repsol will be able to offer 100% certified low-emission electricity, exclusive advantages for its clients, and discounts in its network of service stations.**

The closing of the operation occurred at the end of November. The deal was valued at **€733 million**.

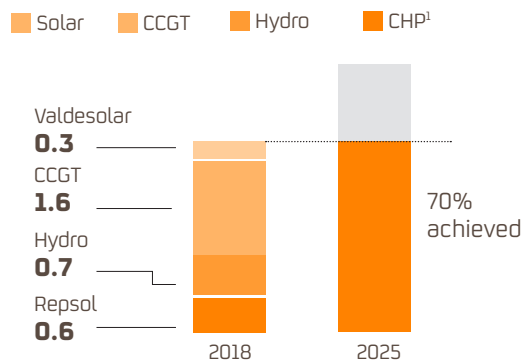
The acquisition of Viesgo means an important advance in the achievement of Repsol's goals for **2025**:

- Gas and Electricity retail market share: **> 2% vs > 5%** in 2025
- Client portfolio: **0.8 million vs 2.5 million** in 2025
- Installed capacity: **~2.9 GW vs 4.5 GW** in 2025

Repsol also purchased other low-emissions businesses in 2018, acquiring **Valdesolar Hive**, a company that has permits (pending administrative procedures) to build in Badajoz the biggest photovoltaic plant in Spain, with a capacity of **264 MW**. We expect the plant will be operational in 2021.

Considering Viesgo and Valdesolar operations in mind, Repsol has already achieved **70%** of its 2025 goal for installed capacity (~**3.1 GW vs 4.5 GW**).

**PROGRESS TOWARDS OUR OBJECTIVES IN LOW EMISSION ASSETS [GW]**



## 04. Our Commitment to fight climate change

At Repsol, we are committed to the aims set forth in the Paris Agreement, and we have also firmly decided to be a key player within the Energy Transition necessary to achieve future emissions reductions.

Our position in this field is the following: **to fight against climate change and provide the energy that society demands at the same time.** Our ambition is to reduce carbon intensity by **40%** by **2040** with respect to its value in **2016**.

This 40% ambition was calculated considering the same estimations made by the International Energy Agency in its Sustainable Development Scenario, the one that is compatible with the climate change challenge.

To monitor how we are advancing in the achievement of our ambition, explain the process to all our stakeholders, and detect any possible deviation, we have developed a **carbon intensity indicator** in which we measure the CO<sub>2</sub> emissions for each unit of energy produced and that we deliver to society [tonnes of CO<sub>2</sub> per gigajoule, t CO<sub>2</sub> / GJ].

The reason why the company defines its **long-term goal as an ambition** is related to the fact that the progress made in the energy transition will be determined, among other factors, by innovation and the development of new technologies, that currently, are not available. There is no single route to reach the ambitions of the Paris Agreement, and in that regard, our industry still has many scenarios to analyse. Therefore, it becomes difficult to define objectives in the long-term.

As a **short-term goal**, we have established an **objective to reduce carbon intensity by 2.25% in 2019 and 3% in 2020, using 2016 as a base year.**

### T CO<sub>2</sub> / GJ

#### The numerator:

- **Direct and indirect CO<sub>2</sub> emissions** coming from our E&P business, our Industrial Facilities in Spain, Portugal, and Peru and from the generation of low-emission electrical energy are taken into account.
- We are also considering the **CO<sub>2</sub> emissions associated with the use of the products we produce.**

#### The denominator:

- This includes the energy associated with our products.
- Chemical products and energy that come from renewable electricity generation sources are also considered.

To attain a reduction in the energy intensity, the Company has different short, medium, and long-term levers. For the short-term, we consider the impact of energy efficiency, reduction in methane emissions,

Repsol has a clear ambition [~40% by 2040] to reduce our carbon intensity and fight against climate change

Internal carbon price in 2025: \$40/t CO<sub>2</sub>

reduction in routine gas flaring, incorporation of biofuels, the making of chemical products and renewable investments. As we have mentioned, the incorporation of other levers for the medium and long-term, such as carbon capture, usage and storage technologies (CCUS) or natural carbon sinks like reforestation, will depend on the existence of the corresponding regulatory framework.

To boost progress towards the goals set for our indicator, the Company has established an **internal carbon price** which starts at \$25/t CO<sub>2</sub> in 2018 and

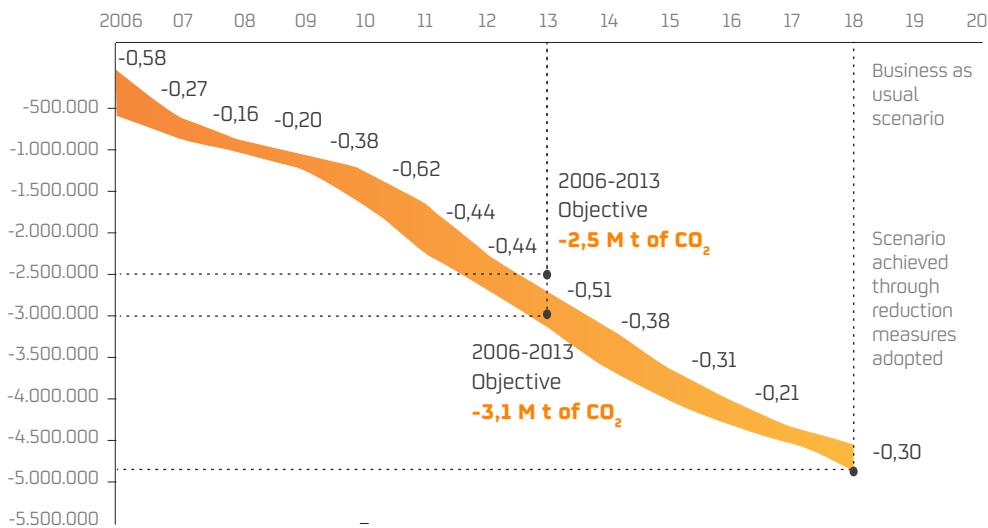
reaches \$40/t CO<sub>2</sub> in 2025. These values will be adjusted according to how quickly the company transforms. This carbon price track will be used to incentivise investments in existing assets and to decide on the incorporation of future assets to our portfolio.

Likewise, Repsol will continue working on its **energy efficiency programmes and reduction of CO<sub>2</sub> emissions**. The Company has established a new goal of reducing **3 Mt CO<sub>2</sub> eq** for the period **2018-2025**. This new plan is a continuation of the former one (2014-2020 which aimed for a reduction of **2.1 Mt CO<sub>2</sub> eq**), and even more ambitious.

At the end of **2018**, Repsol achieved a cumulative reduction of **1.78 Mt CO<sub>2</sub> eq**, that amounts to **85% of its CO<sub>2</sub> emissions reduction goal** for the period 2014-2020. In 2018, Repsol promoted actions that resulted in a reduction of **309.8 kt CO<sub>2</sub> eq**.

Between **2006** (when the first plan started to reduce CO<sub>2</sub> eq) and **2018**, Repsol has achieved a reduction of **4.9 Mt CO<sub>2</sub> eq**.

**GHG EMISSIONS REDUCTION (MILLIONS OF TONS OF CO<sub>2</sub>)**



**2°C**  
COMPLIANCE WITH PARIS AGREEMENT

---

**40%**  
REDUCTION OF T CO<sub>2</sub>/GJ

---

**-3MT**  
CO<sub>2</sub> FOR 2018-2025

**1.78**  
MT CO<sub>2</sub> EQ  
AVOIDED BETWEEN 2014- 2018




**85%**  
PROGRESS ON  
2014-2020 TARGET

**4.9**  
MT CO<sub>2</sub> EQ  
AVOIDED BETWEEN 2006- 2018

### a. Our commitment to reducing methane emissions and routine gas flaring

As part of the goals established within the **Oil & Gas Climate Initiative (OGCI)**, Repsol has defined its commitment to reduce by 2025, its methane emissions by **25%** (emissions corresponding to Oil & Gas-operated assets).

In **2018**, methane emissions in our Oil & Gas-operated assets were **164 Kt**.



Our goal: to reduce by 25% our methane emissions by 2025

The attainment of this goal is supported by three lines of action:

- › Implementation of more precise emission reduction technologies.
- › Identification and application of technological opportunities for emission reduction.
- › Transition to a lower emissions portfolio.

With respect to routine gas flaring, in June of 2016, Repsol adhered to the World Bank's initiative **Zero Routine Flaring by 2030**. The company is committed to looking for technically and economically viable solutions to minimise routine gas flaring as soon as possible and no later than **2030** for its E&P Facilities.

During **2018**, Repsol worked on better quantifying routine and non-routine gas flaring data, which has allowed it to establish a rigorous **goal for reducing by 50% gas flaring routine by 2025** related to its E&P-operated assets. This goal involves:

- › Improving the design and operation procedures of the facilities.
- › Reusing gas as a fuel to generate electric energy or gas reinjection.
- › Commercial solutions for using the gas once it is treated.

### b. Carbon Capture, Use, and Storage (CCUS)

Through its participation in the Oil & Gas Climate Initiative (OGCI), Repsol closely follows advances in the development of this technology, which is momentarily **not competitive**, either because of the absence of a regulatory framework defining it, or because of the high cost of carbon capture (~\$80 / tons CO<sub>2</sub>).

The achievement of a wide social approval is an additional difficulty. This is why, at present time, Repsol is focused on the **use** of captured carbon. Within the context of a circular economy, carbon captured by means of these technologies could be used in forming different types of products:

- › Materials for the construction sector
- › Polymers for industrial use
- › Development of new fuels in the long term

Nevertheless, **CCUS is a key technology for the long term**. Our opinion is that the aim to fight climate change is not possible if we do not find a solution to resolve the issue of CO<sub>2</sub> storage by 2030 and a solution for the intermittent nature of renewable energy sources in the electric energy supply.

### c. Our commitment to the production of biofuels

Repsol has five refineries in Spain which allow us to be on the cutting edge of advanced biofuel production.

Specifically:

- › We contribute to the reduction of CO<sub>2</sub> emissions by producing and commercialising sustainable biofuels, adding bioethanol to gasolines, and Hydrotreated Vegetable Oil (HVO) to diesel. Repsol produces ~0.38 Mt of HVO.
- › We follow international frameworks that certify the sustainability of the raw materials that are incorporated into our entire production chain. Furthermore, the percentage of biofuels incorporated into our gasolines and diesel fuels is greater than the minimums required by existing legislation.
- › We are focused on promoting advanced biofuel projects using non-food raw materials such as lignocellulosic biomass, with high technological content and carbon footprint reduction, which we develop in our Repsol Technology Lab.

Finally, we work to comply with the **2020 Energy and Climate Package** which also includes the **Renewable Energy Directive** that will involve among other issues, incorporation by the year 2020 of up to **8.5%** of biofuels in motor fuels.

Already producing 0.38 M tons of hydrotreated vegetable oil

### d. Repsol's commitment to the Task Force on Climate Related Financial Disclosures (TCFD)

In 2018, Repsol voluntarily adhered to the recommendations established by the **TCFD** initiative in matters involving communication of climate change risks.

We are aware of the information demands and detail that our ESG investors require of us when we communicate the analysis of our risks, demand scenarios, metrics, and impacts. We are committed to providing information with the greatest possible detail despite the difficulty of the fact that this is all very new for our sector. Only a year has passed since the initiative came into effect, and **the industry needs time to be able to analyse and gather the necessary data**.

Since 2017, the **Integrated Management Report** and the **Equity Story ESG** presentation have structured information on climate change issues according to what is recommended by the initiative: Governance, Strategy, Risk Management, Goals and Metrics.

The vast majority of plastics produced at Repsol are recyclable

## 05. Our position on the debate over the use of plastics

Repsol produces and commercialise polyolefins (high density polyethylene, low density polyethylene and polypropylene), that are used as raw material in the recyclable plastic production.

Here at Repsol, we realise that there is serious social concern regarding plastics and we stand firmly behind the goal of preventing any kind of waste - including plastic - from being dumped in our environment.

Our raw materials are not intended to the production of single use plastics. The vast majority of plastics produced by Repsol are recyclable and we also take part in several circular economy projects to better manage these products right through to the end of their useful lives.

This led the company to present the **Reciclex** project in April 2018. Its goal is to foster a circular economy that consists in retrieving polymers at the end of their useful life and using them as a raw material in the polymers marketed by Repsol for the automotive and packaging sectors.

Likewise, in March 2019, Repsol also joined the European Commission's **Circular Plastics Alliance** (CPA) to increase the amount of plastic that gets recycled in the European market.

## 06. Best Practices in Human Rights and Community Relations

Below, we will summarise the most important topics of discussion referred to by our investors in the past year:

### a. On Repsol's performance in the Camisea Block

We started our engagement with investors regarding Camisea in **2014**. Since then, our intention has always been to demonstrate the excellent performance that the Consortium (operated by Pluspetrol and where Repsol holds a **10%** stake) has had in matters of Human Rights protection and observance.

The most important achievements, upon which our dialogue is based, are the following:

- In February of 2017, the Camisea Consortium communicated its decision to **free all the areas inside Block 88 that are not in production or development**. This implies the return to the Government of approximately **60,000 Ha** over an initial Block extension of **143,500 Ha**. Approximately **50,000 Ha** of the 60,000 freed are found within the Kugapakori Nahua Nanti Territorial Reserve, therefore this greatly **reduces the likelihood of sightings of voluntarily isolated indigenous communities**.

It is worth mentioning that **Repsol has played a key role in this decision**, opposing to any other alternative rather than the liberalisation of those areas.

The current limits of Block 88 are defined by Perupe-  
tro, Peru's State oil company, on its website:

@ <http://bit.ly/contactosperupetro2017>

We have discuss y the Government in May 2014 to benefit the communities that live on the reserve]. We have also discussed **the continuity of the Plan for Communication and Information Exchange** with the population that lives on the reserve (which is carried out by the government). Repsol has provided investors with periodically **documentary evidence** about these meetings.

- In the face of the media news regarding possible **mercury contamination** in the Nahua community of Santa Rosa de Serjali, allegedly caused by gas production in Camisea, we have referred to **Pluspetrol's official statement** issued on 25 January 2018. In that statement, the Camisea Consortium "rules out any possibility that gas exploitation activities could cause mercury contamination, neither in the population nor in the environment, since mercury is neither used in any of its production processes, nor are mercury emissions generated".

 <http://bit.ly/CamiseaPressRelease>

Government agencies such as the **Ministry of Environment** and **Peru's Ministry of Health (MINSA)** have already commented themselves on this matter, not finding any relation of such affirmations with the Exploration and Production activities of the Camisea Consortium.

It is important to mention that all the operations in the zone of influence are subject to **strict permanent monitoring systems by the communities**

**themselves**, which autonomously, through the **Community Environmental Monitoring Program** (PMAC in Spanish), monitor compliance with Camisea's socio-environmental commitments to prevent any impact on the communities or the ecosystem. In addition, for more than 10 years, **the Biodiversity Monitoring Program (PMB in Spanish)** in Lower Urubamba has been continuously monitoring and evaluating the state of biodiversity in the project area of influence.

Since the beginning of its operations, the Camisea Consortium rigorously complies with the remittance of the Environmental Monitoring Reports to the **General Directorate of Environmental Energy Affairs and to the OEFA (Peruvian Environmental authority)**, according to the current Legislation. Never in the history of the operation have the environmental quality records of the Environmental Evaluation and Auditing Organisation reported the existence of mercury.





## b. Repsol's participation in the Corporate Human Rights Benchmark (CHRB) initiative

A group of investors (APG, Nordea, Aviva) and other organisations (Business & Human Rights Resource Centre, Eiris Foundation, Institute for Human Rights and Business, and Dutch Association of Investors for Sustainable Development) launched the first results of the **Corporate Human Rights Benchmark Limited (CHRB)** in 2017, with the aim of creating a public database that allows the measuring of performance in human rights matters of companies in the **agriculture/food, textile, and extractive sectors**.

The methodology for this initiative is based on the UN's Guiding Principles on Business and Human Rights

 <http://bit.ly/CorporateBenchmark>

On 12 November, 2018, **Corporate Human Rights Benchmark Limited (CHRB)** published the results of its **2nd study**, which were as follows:

- › Repsol achieved a mark more than double that of the year before, passing from **21 points to 45.8 points** and advancing in the global ranking from the position of **74/100** to the position of **20/100**.
- › The extractive sector obtained the best average score, better than **agriculture/food, and textile sector**.

All this was achieved thanks to the effort made to improve communication practices. An exhaustive update of the Human Rights information available on Repsol's website was carried out, as well as an update in the evidence provided for the completion and revision of the questionnaire and during the entire interaction process with **CHRB**.



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5%

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# Repsol advances in the best practices of Corporate Governance



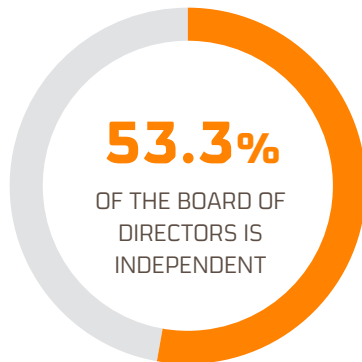
**REPSOL**



## 07. Issues of Corporate Governance

For Repsol it is a priority to maintain ongoing, two-way dialogue throughout the year with its most important shareholders, institutional investors, and proxy advisors so as to share information about its proposals and goals regarding matters of corporate governance matters, thus facilitating informed decision-making at the company.

For this reason, two Roadshows were organised in November 2018 and February 2019, focusing on the issues of ESG investors and Corporate Governance, respectively.



The main topics that were discussed at these Roadshows had to do with the composition of the Board of Directors and their compensation. The issues that raised the most interest were their level of independence; the diversity of the members — in terms of gender, geographical origins, knowledge, and experience —; the skills and abilities of Board Members; the system for maintaining the balance between them; the interaction between the Chairman of the Board and the CEO, as well as that of the Board of Directors with the rest of the management team; the appointment of a Lead Independent Director; the functioning of the Committees; and the importance of the objectives related to sustainability in the compensation for Executive Directors.

In regard to the composition of the Board and its level of **independence**, at the meetings held it was noted that Independent Board Members were in the majority, with **53.3%**, and that the intention of the Board is to keep this percentage above 50%. As far as **gender diversity** is concerned, it was found that the percentage of women on the Board was, at the time, 20% and that the company had publicly stated its goal of reaching 30% by 2020, as recommended by the Uniform Good Governance Code for Listed Companies. In this respect, it should be emphasised that the Board of Directors has proposed to the next Annual General Meeting the appointment of two new Independent Directors should be appointed — Ms Aránzazu Estefanía and Ms María Teresa García-Milà. If these appoint-



ments are approved, then women will make up **33.33%** of the Board, going beyond, a year in advance, the commitment made by the Board of Directors.

Also, concerning the competencies and knowledge of the Board Members, the Roadshows highlighted their solidity, as they have top-flight professional experience and very wide-ranging experience and knowledge. It is therefore appropriate to note the publication of the **Board of Directors skills matrix** in the:



<http://bit.ly/Repsol2018ACGR>

Regarding the **system of balances and interaction** between the Chairman of the Board and the CEO and between the Board members and the rest of the management team, emphasis was placed on the success of the separation of the functions of the Chairman of the Board and the CEO, who has all the executive functions. The separate functions model has proved itself to be effective for the company and has allowed it to take advantage of the great contributions and experience of both men.

In addition, after the process of eliciting the engagement, information, and feedback from the company's shareholders and institutional investors, the Board of Directors agreed on 27th March to appoint Mariano Marzo as Lead Independent Director, with all the functions set out in the Board's Regulations.

Lastly, in reference to the issues relating to compensation, in line with the two-way dialogue, the Board of Directors agreed to the Compensation Committee's proposal of **increasing the weighting of the compensation-related goals for CEOs** — in the short and long term — **that are related to sustainability**. In particular, the weighting of the sustainability objectives was increased to **25% of the annual variable compensation** of the CEO in 2019 (specifically including the reduction in carbon intensity, the accident rate, and the development of new businesses linked with energy transition).

## Increase of the weight of sustainability targets in the CEO's variable remuneration

Regarding long-term incentive plans, the Board of Directors has also decided, at the proposal of the Compensation Committee, to increase the weighting of sustainability-related objectives to **25% of the long-term variable compensation** of all the recipients — including the CEO, and the Director and General Secretary to the Board — (10% linked to the emissions reduction objective, 5% linked to the process safety index and, 10% linked to the development of new businesses associated with energy transition).

For further information in this regard, see:



<http://bit.ly/Repsol2018RemunerationReport>

The February Corporate Governance Roadshow also analysed the issues that it was planning to include on the agenda of the next Annual General Meeting, specifically a reduction in the number of Board members to 15; proposals to re-elect the Chairman, CEO, and other Board members; the appointment of two new Independent Board Members; two paid up capital increases in (scrip dividends) with a proposal for a capital reduction in the same amount as the scrip dividends (with the goal of avoiding dilution); the delegation to the Board of the issuance of non-convertible securities and the approval of a new Compensation Policy.

For information on the proposals to be submitted to the Annual General Meeting and the Board of Directors' Reports on these proposals, follow these links:



<http://bit.ly/ProposalResolution>



<http://bit.ly/Repsol2018BoDProposalResolution>



## 08. Next steps

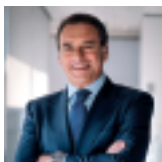
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Our goal for 2019 is to maintain the same level of excellence in dialogue and interactions with investors. At Repsol we have a clear roadmap to follow and we want to continue relying on the support of our ESG shareholders in the pursuit of our strategy. Our interaction process will be a key factor when identifying the expectations and concerns of the market

regarding sustainability issues, so as to ensure their consideration when analysing decisions.

The company remains steadfast in its commitment to maintaining a line of contact between Senior Management and ESG investors.

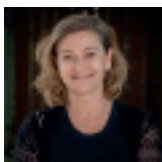




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