

Annual ESG Engagement report **2019-2020**

Direction of Investor Relations



REPSOL

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Annual ESG Engagement report **2019-2020**

Direction of Investor Relations

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Message from the Director of Investor Relations

Ramón Álvarez-Pedrosa

00

*I am pleased to present the **sixth Annual Report of ESG Investors at Repsol**, where we summarise the communication activities that we have held with our investors during 2019 and the first half of 2020*

At the time of the publication of this document, the world is facing an unprecedented crisis that demands the best from us. We have all had to confront unexpected challenges in a very quick period, in our personal lives and at work.

Repsol has reacted promptly in this complex context, focusing its resources to provide maximum protection to our employees and their families, clients, suppliers and shareholders.

Internally, the crisis is being followed closely by our Senior Management. Our Executive Committee, which includes our CEO and General Directors, meets daily to monitor the situation, identifying issues and making decisions in coordination with our COVID-19 Committee.

Our CEO, Mr. Josu Jon Imaz, highlighted **“the role of Repsol as a provider of essential products and services protecting vulnerable people and those directly impacted by the coronavirus is particularly relevant”**.



He added that **“we will succeed in overcoming the current difficulties, as always, by supporting our communities in all the countries where we operate and supporting the public authorities with our solidarity and responsibility.”**

Similarly, it is important to highlight the fundamental role of the people working in the energy, transportation, food industry, law enforcement and healthcare sectors, for their bravery in serving our communities. On behalf of Repsol, we would like to say thank you to all our people for showing once more their extraordinary levels of professionalism and courage.

This report is further proof of our commitment to transparency in communication with our investors.

Within the last year and first half of 2020, we have met with **200 ESG specialists in seven different cities, and remotely during the pandemic**. We are strongly committed to excellence in communicating our performance in terms of sustainability and good governance. Repsol’s annual Sustainability Day event in

London and the Senior Management Roadshow are very important landmarks for us.

The increase in the presence of ESG investors in our shareholder base, which in late 2018 first reached ~30% of the total number of shares managed by institutional investors, was maintained, reaching up to **32% by January 2020**. This indicator helps us to measure the effectiveness of our ESG communication efforts with investors.


It is important to emphasize that the achievements in ESG communications at Repsol during 2019 and 2020 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 Division and Corporate Governance Division.

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 of 2019- 2020



01



In the context of the unprecedented situation caused by the COVID-19 crisis, the company reiterates its commitment to safeguard the health and safety of our employees, clients and suppliers, as well as to continue with our operations to maintain the supply of essential energy products and services to society, critical to sustain key services at this time

**Repsol reaffirms its
commitment to lead the
energy transition, in line with
the Paris objectives and the
United Nations' Sustainable
Development Goals**

01

Repsol posted an adjusted net income of € 189 Million in the first half of the year

Repsol posted an adjusted net income of **189 million euros for the first half of 2020**, specifically measuring the performance of the businesses in a context marked by the global pandemic.

The unprecedented situation caused by the coronavirus led to a historic fall in oil and gas prices, resulting in a **negative impact of 1,088 million euros on the company's inventories**. Furthermore, in light of this decrease and during a period of financial prudence, the company has **reformulated its forecast for future crude and gas prices** and adjusted the value of its Upstream assets, which is reflected in special items results of **-1,585 million euros**. Accordingly, net income for the first half of the year stood at **-2,484 million euros**.

The company has reinforced its financial robustness by issuing bonds for the amount of 3 billion euros. Net debt fell by approximately 500 million euros and liquidity reached nearly 10 billion euros, representing 2.43 times short-term maturities.

Repsol posted an adjusted net income of 189 million euros for the first half of 2020



URL
<https://bit.ly/30brfxR>

Below we summarise the most important events of the year 2019 and first semester 2020:

02

Repsol becomes an important player in the renewable power generation industry

The company has already **3,000 MW** of low-carbon generation assets in operation, to which must be added **2,000 MW** that are in the pipeline under development or construction.



Repsol has surpassed one million electricity and gas customers, an increase of 31% compared to when this activity began

Additionally, in 2019, the company surpassed **one million electricity and gas customers**, an increase of **31%** compared to when this activity began, and it launched innovative solutions for self-consumption and distributed generation.

03

Repsol buys renewable assets in Chile



Repsol
Chile

Repsol continues its expansion in renewable energy through an agreement with Grupo Ibereólica Renovables, gaining access to a portfolio in Chile of renewables projects in operation, construction or development of more than **1,600 MW in 2025**, with the possibility to exceed **2,600 MW in 2030**.

Repsol and Grupo Ibereólica Renovables will create a **joint venture in Chile** with each party holding **50%**, through an increase of capital of 168 million euros to be disbursed by Repsol through 2023.

Repsol buys renewables assets in Chile



URL
<https://bit.ly/2Dfq082>



Petronor Refinery
Bilbao

04

Building the refineries of the future

Repsol will develop **two major pioneering industrial decarbonization projects** in our Petronor refinery, in Bilbao.

The first project involves building one of the world's largest plants to manufacture net zero emissions fuels, using CO₂ and green hydrogen generated with renewable energy. The second project is a plant for generation of gas from urban waste which will replace part of the traditional fuels used in Petronor's production process.

Both initiatives anticipate the refinery of the future and represent a significant boost for the technological and industrial development that is essential in the current context of economic recovery.

Repsol to develop two major emissions-reductions projects in Spain



URL
<https://bit.ly/3hKhE72>



05

COVID-19 Crisis

Repsol has placed all its capacities at the service of society to help mitigate the health crisis.

Since the beginning of the pandemic, the company has been keenly aware that its primary contribution to resolving the crisis was to maintain its activities and to continue supplying the energy that society was going to need in the fight against COVID-19. And, of course, to supply all those petrochemical products that are vital both as prophylaxis against the virus and as raw materials for a great many healthcare products and tools needed in this battle.

In addition to ensuring the essential maintenance of its activities, Repsol has collaborated in the fight against the coronavirus with a series of donations of material, to support the necessary provision of protective services and healthcare services in countries where the company is present.

06

2020 Resilience Plan

The impact of the COVID-19 pandemic and the economic context puts the oil & gas markets in a situation of excess supply not seen in decades.

Our industry is facing an extraordinary challenge: in addition to the **decrease in demand** for oil and gas products, **prices collapsed** due to a break-up in dialogue between the OPEP and Russia over proposed oil-production cuts during the COVID-19 pandemic. This resulting market imbalance caused a steep drop in oil prices over the spring of 2020, with the price of a barrel of West Texas Intermediate becoming negative on 20 April, as a result of oil storage around the world at full capacity.

In the context of the COVID-19 pandemic, Repsol adopted an ambitious Resilience Plan for 2020, ensuring the robustness of our balance sheet and the investment grade of the company

Repsol took rapid action and adopted an ambitious Resilience Plan for 2020.

The Plan ensures the **robustness of our balance sheet and the investment grade of the company** while it contemplates the implementation of several initiatives that would allow us to deliver **2.2 billion euros** of additional savings, compared to our initial budget for the year.

The Resilience Plan allows Repsol to keep two main commitments:

a. *Delivering on shareholder remuneration*

Even in this extraordinary situation, the soundness of the company's balance sheet ensured that the commitment to shareholder remuneration of 1 euro/share will be maintained during 2020, as established in the current Strategic Plan.

The soundness of the company's balance sheet ensured that the commitment to shareholder remuneration of 1 euro/share will be maintained during 2020

b. *The target of being a net zero emissions company by 2050*

The company will continue advancing on the path of the energy transition, as a multi-energy supplier towards a low emissions energy model.

Repsol will continue advancing on the path of the energy transition. During 2020, the company will reduce its Carbon Intensity Index by 3%, with respect to its 2016 baseline



Agreements of the Board of Directors of Repsol in relation to the current economic situation and the global impact of COVID-19



URL
<https://bit.ly/3gcnq0V>

07

Pioneers in the fight against climate change

Net Zero Emissions by 2050



On December 2nd, Repsol announced its commitment to be **Net Zero Emissions by 2050** (considering scope 3 of our products from our primary energy production) being the first company in its sector to set such an ambitious goal. Since then, all European majors have announced their own net zero targets for 2050.

During 2020, the company will reduce its Carbon Intensity Index by **3%**, with respect to its **2016 baseline**, reduce CO₂ emissions in all businesses, and significantly expand its renewable generation capacity.

In **May 2019**, Repsol had published the **company's roadmap on climate change**.

This document defines the different lines of action to fight climate change that are embedded in the company's strategy.

It is worth mentioning that the information is structured following the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Repsol will be a net zero emissions company by 2050

@ URL
<https://bit.ly/3hQ2q05>

Repsol Climate Roadmap

PDF
<https://bit.ly/3jP8SXz>

08

Proactive engagement with shareholders

The company has increased its dialogue with investors' initiatives during 2019 and 2020, which has crystalized in several recognitions regarding actions undertaken to fight climate change.

As an example, Repsol has been working with investors in developing further commitments to strengthen the alignment of its public position on **climate** with that of the industry associations of which Repsol is a member.

As a result of this dialogue, the first assessment of Repsol's participation in industry initiatives and associations was published on May 8th 2020.



Along this period, it is worth to highlight the profitable exchange and close relationship established with Climate Action 100+ and Institutional Investors, Group on Climate Change (IIGCC).

Assessing Repsol's participation in industry initiatives and associations: Climate Change



PDF

<https://bit.ly/2P73gtB>

09

Alignment with the 2030 Agenda

In Repsol we have taken yet another step in our commitment to sustainable development, by positioning ourselves as international trailblazers with the presentation of a specific document on how our activities contribute to the Sustainable Development Goals and the 2030 Agenda.

We wish to make our contributions to the 2030 Agenda clear by publishing our various commitments, objectives, and indicators, painting a panorama of the efforts we make all around the company, both locally and globally, to provide solutions to the social challenges we face.

The report includes testimonies from company employees representing all kinds of positions and locations, showing what kind of company we are and how our work counts towards this tremendously important global agenda.

**SUSTAINABLE
DEVELOPMENT
GOALS**

Here are some highlights of our SDG contributions:

- The greatest example of our contribution to **SDG 7** [Affordable and Clean Energy] and **SDG 13** [Climate Action] is our strategy towards a low-emissions future and our commitment to becoming a net zero emissions company by 2050.



- Our ability to contribute to **SDG 8** [Decent Work and Economic Growth] is evident in the employment we create [over 25,000 employees and more than 4,880 suppliers], the benefits packages our company offers, our safety culture, and by paying taxes in the 35 countries where we operate.

- Through our commitment to optimised water management, support for innovation and technology, and our focus on the Circular Economy, we contribute to **SDG 6** [Clean Water and Sanitation], **SDG 9** [Industry, Innovation, and Infrastructure], and **SDG 12** [Responsible Production and Consumption].

We use over 30 indicators and various challenges and objectives to measure and assess our contribution to this global challenge.

Repsol 2019 SDG Report



PDF
<https://bit.ly/3h013PL>

Monitoring of the development of ESG investors in Repsol's shareholding structure



**As of January 2020, ESG
investors managed 32% of our
institutional shareholder base**

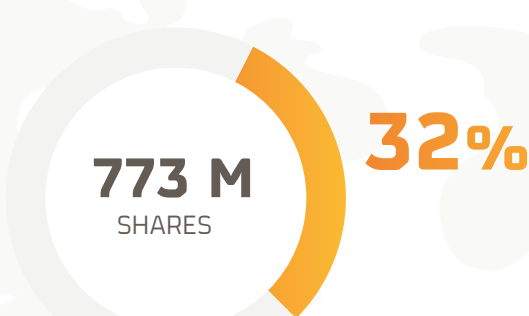
Repsol has one of the largest presence of ESG (environmental, social and governance) investors among its shareholders within its sector

Repsol has one of the largest presence of ESG (environmental, social and governance) investors among its shareholders within its sector. This supports Repsol's strong position to face the challenges presented in an increasingly decarbonized world as a key player in the development of the energy model of the future.

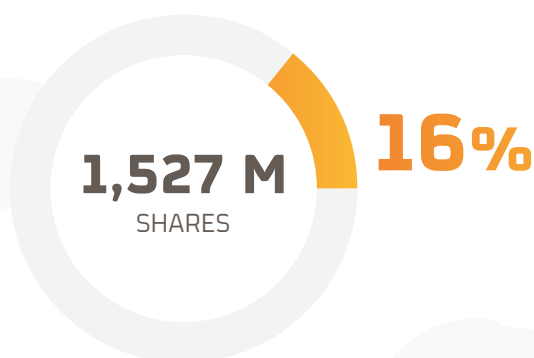
ESG investors¹ participation in Repsol's shareholders structure reached historic highs in 2019 and kept increasing at the beginning of 2020.

As of **January 2020**, ESG investors managed **32%²** of our institutional structure of shareholder base (**~246 million shares³** out of **773 million shares**) and **16%** of all our share capital. The presence of ESG investors has increased **280%** since 2010.

INSTITUTIONAL OWNERSHIP



TOTAL SHARE CAPITAL



* Shares estimated as of January 2020

¹ Environmental, Social and Governance. These investors apply sustainability criteria when making investment decisions.

² Norges Bank share acquisition in January 2020 was considered in these estimations. Norges Bank emerged on January 8th 2020 a 3.062% stake in the capital of Repsol, as recorded in the records of the National Securities Market Commission (CNMV).

³ According to Leaders Arena's ESG Investor Scorecard methodology: integration conducted by non-specialist or mainstream institutional investors that follow a disciplined process to integrate ESG factors in their investment decision-making process. ESG thematic investing carried out through mutual funds and ETFs with clearly defined ESG goals such as 'ethical' or 'low carbon' are also included <https://www.leadersarena.global>

Main activities carried out in 2019 and the beginning of 2020

movilidad
eléctrica



REPSOL



REPSOL

Punto
de recarga



03

Our company manages one of the most ambitious ESG investor outreach programmes which typically involves meeting more than 100 investors in person every year.

Along with our CEO and Senior Management, Repsol's ESG Investor Relations team has been able to implement a thorough ESG communications programme that has effectively contributed to the positive perception of the company by the ESG investment community.

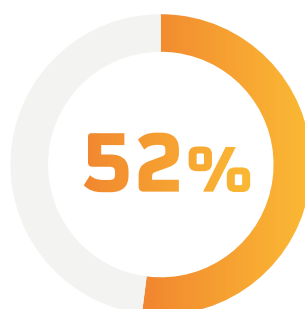
In addition to celebrating our well-established Sustainability Day in London, during 2019 and the first half of 2020, the team carried out **25 roadshows in 7 different cities** (London, Paris, Amsterdam, Frankfurt, Zurich, Madrid and Boston).

We visited a total of **200 ESG specialists**, 25 of which were institutions we met for the first time. The number of investors visited during these periods accounted for **85%** of all Repsol ESG shareholders.

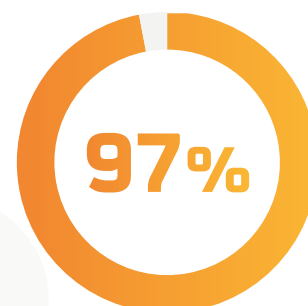
2019

~223 M shares*
visited, representing
97% of the ESG
shareholders

TOTAL SHARES VISITED 2019
/ TOTAL REPSOL SHARES



TOTAL ESG SHARES VISITED 2019
/ TOTAL REPSOL ESG OWNERSHIP



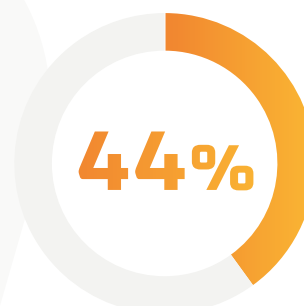
2020

~102 M shares*
visited as of today,
representing
44% of the ESG
shareholders

TOTAL SHARES VISITED 1S 2020
/ TOTAL REPSOL SHARES



TOTAL ESG SHARES VISITED 1S 2020
/ TOTAL REPSOL ESG OWNERSHIP



**Shares estimated as of December 2019*

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



14

Roadshows

06

Conferences

04

Specialized
Virtual Events

01

Sustainability
Day

ROADSHOWS

Timeline Roadshows 2019

13
Investors



4th-5th-6th February 2019

Roadshow Corporate Governance

London-Paris-Amsterdam

7
Investors



11th March 2019

Breakfast with ESG Investors - Ahorro Corporación Financiera

Madrid

8
Investors



14th-15th May 2019

Roadshow Boston - Citi 2019 Global Energy & Utilities Conference

Boston

5
Investors



15th May 2019

Roadshow Boston - Leaders Arena

Boston

9
Investors



6th June 2019

ODDO BHF Sustainability Forum

Paris

5
Investors



11th-12th June 2019

Responsible Investment Forum

London

5
Investors



12th June 2019

ESG Roadshow

London

10
Investors



18th-19th June 2019

Roadshow Frankfurt - Zurich

Frankfurt - Zurich

4
Investors



19th september 2019

Green Bonds Roadshow

London

1
Investors



27th september 2019

Bernstein Climate Change event

London

44
Investors



5th November 2019

Repsol 6th Sustainability Day

London

31
Investors



5th-7th November 2019

Roadshow London-Paris Sustainability Day

London -Paris

5
Investors



10th December 2019

Sustainability Bonds Conference

Paris

2020

9
Investors



3rd February 2020

15th HSBC ESG Conference

Frankfurt

8
Investors



2nd June 2020

JPM Energy Transition

Virtual

4th June 2020

1st Pan European ESG Conference _Kepler

Virtual

8th June 2020

Barclays Energy Leaders Conference

Virtual

17th June 2020

RI Digifest panel: The road to net-zero economies and the investment implications

Virtual

23rd-24th June 2020

Roadshow Holland and Oslo - Kepler

Virtual: Holland - Oslo

25th June 2020

Carbon Tracker O&G Company Emissions Ambitions Webinar

Virtual

01

6th Annual Sustainability Day and Senior Management Roadshow 2019

In November of 2019, Repsol held its **sixth annual Sustainability Day in London**. The event has probably been one of the most successful Investors Day the company has held until now.

During the event, Repsol announced its commitment to strengthen the alignment of its public position on climate with that of the industry associations of which Repsol is a member. The company will support and lobby for effective measures across all areas of public policy that aim to mitigate climate change risks and share the

ambition to limit global temperature rise to well below 2 degrees Celsius.

For the fourth year in a row, the **session was led by our CEO, Josu Jon Imaz** and was also attended by **our CFO, Antonio Lorenzo**, and **our EMD Technology Development, Resources and Sustainability, Luis Cabra**. Additionally, a key note speech was conducted by **Mariano Marzo, Independent External Director, Lead Independent Director and Chairman of the Sustainability Committee**.

A highly specialized audience composed of 44 representatives including **ESG investors** (BlackRock, Vanguard, UBS Asset Management, Wellington Investments, Royal London Asset Management, among others), **ESG Advisors** (Hermes and Sustainalytics), **ESG sell side analysts, highly influential ESG initiatives** (Climate Action 100+, Institutional Group in Climate Change, Church of England) **and financial analysts** (representing ~25% of total audience) had the opportunity to listen and engage in conversations with Senior Management.



"The best way to be sustainable is to be financially profitable in the long term. We understand the challenge is huge, and we think that the path to follow should be ambitious, sustainable, and balanced"

Josu Jon Imaz, CEO



Amongst the different presentations that took place at the event, the attendees learned first-hand the steps that Repsol is taking in response to the challenges of the energy transition, the company's approach to Sustainable finance and Repsol's development towards a low carbon business model. The attendees had also the opportunity to listen to Repsol's best environmental and social practices in Block 57, Sagari, in Peru.

Sustainability Day presentations and videos are available at the following link:

Sustainability Day 2019

 **URL**
<https://bit.ly/338dulx>

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

A total of **16 institutions** were visited during the roadshow, representing **194 M shares, 25%** of Repsol Institutional shares [194 Million shares out of 773 Million shares] ⁵.

Overall, combining both events, Repsol met **23 investors** who manage **280 M shares, 36%** of total institutional shareholders' base [280 M shares out of 773 Million shares].

Out of this **280 M shares, 127 M** are managed exclusively under **SRI criteria**⁶. **This figure represents ~52%** of Repsol's **ESG institutional shares [127 Million / 246 Million]**¹.

⁵ As of August 2019.

⁶ ESG integration conducted by institutional investors that follow a disciplined process to integrate ESG factors in their investment decision-making process. ESG thematic investing carried out through mutual funds with clearly defined ESG goals such as 'ethical' or 'low carbon' are also included.



These meetings were highly valued by the investors and ESG specialists, as it is shown in the following feedback they provided:



"Repsol, Shell and Total are the most progressive companies while committing Capex to low carbon and with a clear figure on strategy"



"Congratulations for the way you have involved your employees in the CO2 reduction projects making people participants and giving real compensation through variable salaries"



"Highly reliable management team"



"Repsol is better prepared than others. Your company is doing more good things than the others. We can put you as an example"



"Congratulations on the Lobby commitment. As a leader company on ESG issues, we need you to take that step"



"Very interesting session. Extraordinary Q&A"

02

Revision of the ESG investor presentation

The ESG Equity Story is a living document that explains Repsol's Sustainability strategy and the company's progress towards Energy Transition.

The document, which is updated monthly, can be downloaded through the following link:

Walking the talk on energy transition
June 2020



PDF

<https://bit.ly/3hN7rqD>

03

Repsol's engagement with Sustainability dialogue initiatives and investors

During 2019, Repsol has deep dived into its engagement with Sustainability dialogue Initiatives.

The dialogue has crystallised in different actions taken by the company throughout the year.



Climate Action 100+

A campaign for ESG investor collaboration launched at the COP21 'One Planet Summit' in Paris, December 2017. The initiative is backed by over **450** international investors who manage assets worth more than **\$39 trillion**, together with organizations involved in Principles for Responsible Investment (UN-PRI), the Institutional Investors Group on Climate Change (IIGCC) and CERES.

Their 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.

Repsol joined the engagement initiative in January 2018, upon request of **BNP Paribas Asset Management**, who leads the engagement with Repsol along with **Hermes** and **UBS Asset Management**.



Institutional Investors Group on Climate Change (IIGCC)

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.

Below **we summarize some of the results of our engagement** with this group of investors during this period:

- a. Following bilateral interaction with Climate Action 100+ and Institutional Investors Group on Climate Change (IIGCC), **Repsol published on May 15th its first climate policy review of the Industry Associations** in which the company participates.



Repsol published on May 15th its first climate policy review of the Industry Associations in which the company participates

We have performed an objective, detailed and rigorous assessment, based on enquiring the associations of which we are members to outline their positions on the Paris Agreement goals and, also, on reviewing the publicly available information on their decarbonization initiatives.

After this, we compared their positions with our climate change strategy regarding: commitment to Paris Agreement measures, carbon pricing, energy efficiency, the key role of natural gas in the energy transition, the use of low-emissions technologies, and new technological developments (e.g. Carbon Capture, Use and Storage [CCUS]).

*Based on this assessment,
we found the following:*



*Aligned
Associations*



*Partially Aligned
Associations*

American Petroleum Institute (API) and Canadian Society for Unconventional Resources (CSUR), with which we will engage in a constructive dialogue to address differences in position.



*Non-Aligned
Associations*

We will continue assessing the associations annually and will update the information published in the event of material changes or, at the latest, every two years.

Policy engagement on climate change

 URL
<https://bit.ly/2PbGVV2>

Assessing Repsol's participation in industry initiatives and associations: Climate Change

 PDF
<https://bit.ly/2P73gtB>

Repsol's commitment was highly praised by investors in social media sources provided:



Adam Matthews
@actmatthews

Well done Spanish O&G @RepsolWorldwideCEO, Josu Jon Imaz announcing commitments to lobby positively for well below 2 degrees, review all lobbying & industry associations and take action where misaligned. Call for transparency. @ActOnClimate100 @IIGCCnews

<https://bit.ly/337I7aJ>



BNP Paribas AM
@BNPPAM_COM

BNP Paribas Asset Management and the Church of England Pensions Board welcome the commitment from Repsol to align its lobbying activity with the goals of the Parisgreement

<https://bit.ly/334RA2B>



Edward Mason
@edwardcmason

Well done @RepsolWorldwide -the first oil & gas company in the world to set a target of net zero emissions by 2050

<https://bit.ly/2EoRKHF>



Adam Matthews
@actmatthews

Institutional investors welcome Repsol's commitment to align climate lobbying with Paris Agreement goals <https://investmenteurope.net/4006624/> via @InvEurope #esg #sri @IIGCCnews @ActOnClimate100

<https://bit.ly/30b8vhT>



IIGCC
@IIGCCnews

Global energy company Repsol has committed to 'climate positive' lobbying. IIGCC & investors involved will continue to build on momentum through @ActOnClimate100 European engagement. See p66 of progress report for detail to date

<https://bit.ly/2Dj2tmF>

- b. Repsol's bold announcement to be a carbon neutral company by 2050 was also praised by Climate Action 100+ and IIGCC.



"It is clear that this is a very significant commitment from Repsol that raises the bar across the oil and gas sector. A very significant move by Repsol, the first oil & gas company to set a net zero target for 2050"



The church of England



CLIMATE ACTION 100+ & IIGCC

"Repsol sets a higher benchmark for the industry"

"As lead engagers under Climate Action 100+ and IIGCC we congratulate Repsol on its new commitment to align activities and investments with the goals of the Paris Agreement.

By creating a path to firmly transition towards net zero emissions across the value chain by 2050, supported by a decarbonisation process with interim targets, Repsol sets a higher benchmark for the industry.

We were pleased to support Repsol on taking this important step forward and look forward to continuing our constructive dialogue with the company on climate action"

BNP Paribas Asset Management, UBS Asset Management and EOS at Federated Hermes as lead engagers.



IIGCC
@IIGCCnews

Big move from Repsol as 1st oil & gas company to target net zero emissions by 2050, following engagement with IIGCC members via @ActOnClimate100 . Its \$5.29bn write-down on assets due to a readjusted outlook on oil & gas prices has market-wide implications

<https://bit.ly/3g8gxhc>

- C. In 2019 and 2020, BNP Paribas Asset Management also recognised the dialogue and engagement maintained in the past years with Repsol and the company's achievements on climate change in its Sustainability report.



REPSOL

BNPP AM has maintained an ongoing dialogue with Repsol in recent years, individually for the oil-sector ESG analysis and collectively as a member of the IIGCC and as part of the Climate Action 100+ initiative. The company has once again taken measures in line with our expectations. It has established internal carbon pricing for all new investments. Prices will rise from US\$ 25t/CO₂ in 2018 to US\$ 40t/CO₂ from 2025. This will make the least carbon-intensive investments more attractive and penalize those with the worst emissions or make them uncompetitive.

Repsol is committed to reducing methane emissions in the exploration and production (operated) business by 25% by 2025 from 2017 and to cutting routine flaring by 50% by 2025 and eliminating them altogether by 2030. Last year, Repsol announced plans to reduce its carbon intensity per unit of energy supplied by 40% by 2040 compared to 2016, with a 2020 reduction target for carbon intensity per unit of energy supplied of 3%. Lastly, in 2018, Repsol sold its non-operated stake in Gas Natural and bought Viesgo's low-carbon assets and gas and electricity retail business. This is a step towards Repsol's strategic objective of becoming an operator in the electricity generation and retail market. It aims to reach 4.5 GW of low-emission installed capacity by 2025. The acquisition makes Repsol the fifth largest electricity producer in Spain in terms of installed capacity and number of customers.

Once again, the company needs to build on this momentum in the years ahead in order to align its business with the climate goals of the Paris Agreement, which aims to limit the increase in temperatures to well below 2°C compared to pre-industrial level.



2018: A DIALOGUE THAT IS HAVING ITS EFFECT

In recent years, we have seen a change in the level and quality of dialogue with these companies. Their senior executives are now much more ready to accept the need to discuss their approach to combating climate change. In Europe, these companies unanimously recognise this climate imperative, and have made clear their intention to align strategies with the goals set out in the Paris Agreement. They are also giving their commitment to reduce the climate related impact of their business activities, and the transparency of their reporting is also improving.





2019: CORPORATE CLIMATE LOBBYING

Corporate lobbying activities that are inconsistent with meeting the goals of the Paris Agreement present significant risks to investors and systemic risks to our economies, as delays in implementation of the Paris Agreement increase the physical risks of climate change, threaten economic stability and introduce uncertainty and volatility into our portfolios. [...] We believe that climate lobbying that is aligned with the goals of the Paris Agreement can help to mitigate these risks and contribute positively to the long term value of our investment portfolios. [...]

Repsol published a public policy engagement on climate change statement, which addresses all areas covered by the Investor Expectations. The company committed to support and lobby for effective measures across all areas of public policy that aim to achieve the goals of the Paris Agreement. In 2020, the company will publish a review of its public policy positions, engagements and memberships as well as an assessment of the policy positions of the trade associations they belong to.

BNP Paribas Sustainability Report 2019

 URL
<https://bit.ly/2XBmoo9>

BNP Paribas Sustainability Report 2018

 URL
<https://bit.ly/31ndBat>

Since January 2020, Repsol participates in the FTSE TPI Climate Transition Index, the only stock market index aligned with the targets of the Paris Agreement



Transition Pathway Initiative

A global initiative launched by **the Church of England Pension Board** and supported by sixty of the largest international investors managing an asset portfolio of over **\$18 trillion**.

Their goal: TPI assesses the progress companies are making on the transition to a low carbon economy, supporting efforts to mitigate climate change.

In 2019, this association named Repsol as **one of only two companies in its sector worldwide that had a strategy compatible with the targets of the Paris Agreement**. Additionally, at the end of January 2020, Repsol was included in the **FTSE TPI Climate Transition Index**, the only stock market index aligned with the targets of the Paris Agreement.

On May 2020, TPI assessed the ambitions of European and some non-European oil & gas companies, analysing **how far these companies have come and how far they need go if they are to meet the goals of 'net zero' emissions**.


Although ambitions have risen markedly in the last six months and less than three years ago, according to the TPI, no company had set targets to reduce the carbon intensity of the energy it supplied, companies still need to go further.

When assessing companies' climate change ambitions, the TPI applies a methodology that differs from the one used by Repsol in the specific consideration of **scope 3** emissions. Repsol's net zero target focuses on the scope 1 and 2 of our operations and processes and the scope 3 related to the **use of our products from our primary energy production**.

We are currently engaging in a helpful dialogue with the TPI to best understand its methodology analysis and explain in detail our calculations.

Topics Discussed

04



Taking long-term decisions to meet our customers' energy needs while implementing the right pace of change to contribute effectively to the energy transition, creates a proposition which delivers value for our shareholders



These have been the main topics shared with our investors during this period:

01

Can the COVID-19 crisis turn into an opportunity?

Every crisis is an opportunity to test resilience, and Repsol, once more, has excelled at it, showing the best level of resilience in the market and the ability to navigate through tough environments setting up a top-tier resilience plan in the industry.

The current situation is also an opportunity to enhance synergies among businesses and activities looking for choices to further optimise our portfolio. Digitalization and new ways of working have shown their importance as key levers in these times and we feel proud of our people's response to adapt to this unprecedented situation.

We clearly see that this crisis is fostering an acceleration of the energy transition, and it's there where the growth opportunities arise.

02

Repsol's response to COVID-19

When this crisis emerged, Repsol made the decision to place all its capacities, human, intellectual, industrial, and technological, at the centre of resolving and mitigating it.

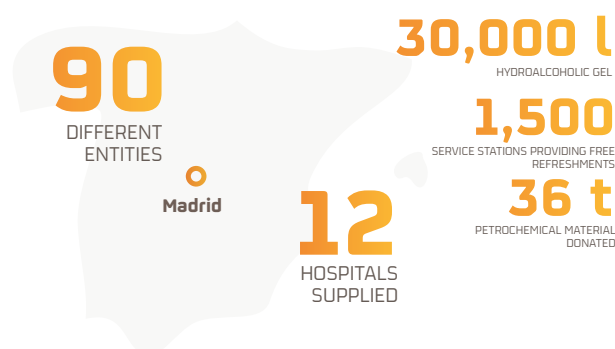
A **Crisis Committee**, led by the Repsol top management, was activated to face the COVID-19 situation. The Committee took responsibility for monitoring and assessing all the measures taken to reduce the potential risks that the COVID-19 crisis could generate, especially for the vulnerable groups. The Crisis Committee also took responsibility of ensuring full respect for human rights and maintaining livelihoods of employees, contractors and communities in this situation.

Since the start of the COVID-19 pandemic, Repsol's priorities worldwide have been reducing the risk of the coronavirus spreading among employees, contractors and customers, as well as providing our customers and society with the goods and services needed to carry on as usual with their daily activities

Since the start of the COVID-19 pandemic, Repsol's priorities worldwide have been **reducing the risk of the coronavirus spreading among employees, contractors and customers**, as well as **providing our customers and society with the goods and services needed to carry on as usual with their daily activities**. The company guaranteed the supply of products and services that are essential for the functioning of society, such as energy and key raw materials for the manufacture of various medical supplies such as masks, respirators, syringes and other surgical material.

In Spain, and in compliance with the Royal Decrees issued by the Spanish Government, Repsol **maintained its service of distribution of bottled gas** (an essential service for heating and cooking in large parts of Spain), **the activity at its power plants** to supply the electricity needed by its customers, and **the service stations opened** to supply the fuels and services needed for necessary transport.

In addition to ensuring the maintenance of essential activities, Repsol has collaborated in the fight against the coronavirus with a **series of donations**, such as protective equipment and hydroalcoholic gel, to 90 different entities, mainly hospitals and nursing homes. Among other initiatives, the company has adapted the facilities of its technology center in the outskirts of Madrid to produce more than 30,000 l of hydroalcoholic gel, to supply nearly 12 hospitals. It has also donated more than 36 tons of petrochemical material for the manufacture of protective equipment. Furthermore, since March 30th around 1,500 of its service stations have provided free refreshments to truck drivers, emergency service workers, and law enforcement agents.



Outside of Spain, different donations have been made in several countries, to support the necessary provision of protective services and healthcare services.

03

Repsol's strategy towards 'Net Zero Emissions'

On December 2nd, Repsol announced its commitment to reach **Net Zero Emissions by 2050**, being the first company in its sector to achieve such an ambitious goal. At the same time, the company established a decarbonization path with interim targets for 2020 to 2040.

This decision acted as a catalyst for change, triggering similar commitments to reviewing their Climate Change ambitions by most of our European peers.

The announcement was very well recognised by the investor community and other stakeholders. Below we include some of the positive recognitions received.



Repsol will be a net zero emissions company by 2050



URL
<https://bit.ly/3hQ2q05>



"It's brilliant to have a poster child because we can all point to that and say 'well, if they can do it, why can't you?'"



"We view your decision to commit to net zero emissions by 2050 as a significantly positive development"



"Wow very bold. Congratulations hopefully others will follow your leadership!"



"Still enjoying the news"



"We consider Repsol to be the current industry leader on the issue of the energy transition, and hope that it continues down this path. Repsol is one of a handful of companies that have set ambitions to lower the lifecycle carbon emissions intensity of their products, alongside Total and Shell. Accordingly, Repsol's commitment appears to recognize this and take it to heart"



"We have been pressing fossil fuel companies to commit to align with a net zero emissions pathway by 2050 for some time. It is good to see Repsol showing this leadership, including clear milestones along the way"



"Repsol is in prime position of all the Oil Majors to execute against such goals, and in doing so, could in our view become the number one ESG stock in our coverage"



"Repsol is the first oil major to be truly aligned with the Paris goals. This decision will result in a complete turnaround in investments from exploring for more oil and gas to exploring for new business models in renewable energy"



"We are celebrating Repsol's move"



"Investors will use the Repsol example to try to draw conclusions and to create conditions for further actions in this space"

a. *What were the reasons behind setting this goal?*

- Repsol has committed significantly to sustainability efforts over the past 25 years. **Our ongoing engagement with investors made clear the investor expectation that a step forward to fight climate change was needed.** Considering our approach to sustainability issues, the 'net zero emissions' announcement was a natural step to take.

Being sustainable also means being profitable. It is our belief that companies create value for shareholders when they reflect what society needs and demands. It is all a matter of reaching a balance between society's needs and the speed required by the energy transition

Our business evolves alongside our customers' needs. **Taking long-term decisions to meet our costumers' energy needs while implementing the right pace of change to contribute effectively to the energy transition, creates a proposition which delivers value for our shareholders,** thus forming a feasible and profitable proposition.

- **A change in the vision of crude oil prices and especially gas.** This ambition entails directing all of Repsol's activities and investments to meeting new and more stringent plans, all in alignment with the energy transition and the effort to limit the planet's temperature rise to well below 2 degrees Celsius according to the Paris Agreement's climate goals.

In this context, **the company assumed a new oil and gas price scenario consistent with the Paris Agreement's climate goals.**

This adjustment to the value of some assets implied a post-tax impairment charge of 4.8 billion euros, reflected in the 2019 financial results which neither impacted cash flow nor shareholder remuneration.

The price assumptions⁷ [oil, gas, CO₂] are compatible with the current Sustainable Development Scenario (SDS) of the International Energy Agency (IEA). The information about the asset impairment test announced and the price deck applied **[data in nominal terms]** was reported in Repsol's consolidated financial statements.

Repsol's 2019 consolidated financial statements



PDF
<https://bit.ly/39IWqnA>

- Growing expectation from the investment community for companies to clearly identify the **risks related to climate change and its impact** on the future product demand.

⁷ Due to the COVID-19 impact, Repsol reformulated its forecast for future crude and gas prices. Repsol's revised Brent assumptions, in real terms, for 2020 and 2021, are now 43 and 49 dollars per barrel, respectively, which compare with 65 and 67 dollars before. For gas, the revised assumptions for Henry Hub are now 2.0 and 2.7 dollars per million BTU in 2020 and 2021, compared to previous assumptions of 2.8 and 2.9 dollars. The average long-term price assumption between 2020 and 2050 remains at ~60 dollars Brent and 3.3 dollars Henry Hub, in real terms of 2020.

b. *Strategy in action*

The strategic focus adopted in the context of new dynamics in the oil and gas markets and in policies that target decarbonization of the economy, has also been reflected in our operations.

Going forward, **our upstream unit** will prioritize value over volume, with active portfolio management and investment flexibility, generating cash in challenging price scenarios. The business will focus in short cycle projects, with optimization of investments in ongoing projects, declining assets and abandonment activities. In exploration, the company will focus on productive basins, seeking synergies and optimizations.

The **industrial business** will focus on maintaining the current leadership in refining while pushing for more demanding decarbonization objectives, greater energy efficiency, promoting circular economy projects while increasing the production of biofuels and chemicals products with a low carbon footprint.

The **renewables business** will focus on becoming a multi-energy customer-centric company, with an integrated value proposition, a differentiated offering and a focus on renewable energy.

It is important for us to highlight that our **future Cash Flows will not be impacted by the SDS alignment as** Repsol enjoys a strong portfolio and new profitable projects which will start to generate additional cash.

The new price scenario will mean that some E&P projects will decrease the cash generation or may even be removed from our portfolio development. Meanwhile, several downstream projects will become more profitable and they will be scaled up in our portfolio. In addition, new projects in E&P with IRR>20% will add new cash in order to prioritize value over volume, allowing our E&P businesses to maintain the “cash cow” status it achieved since the last plan.

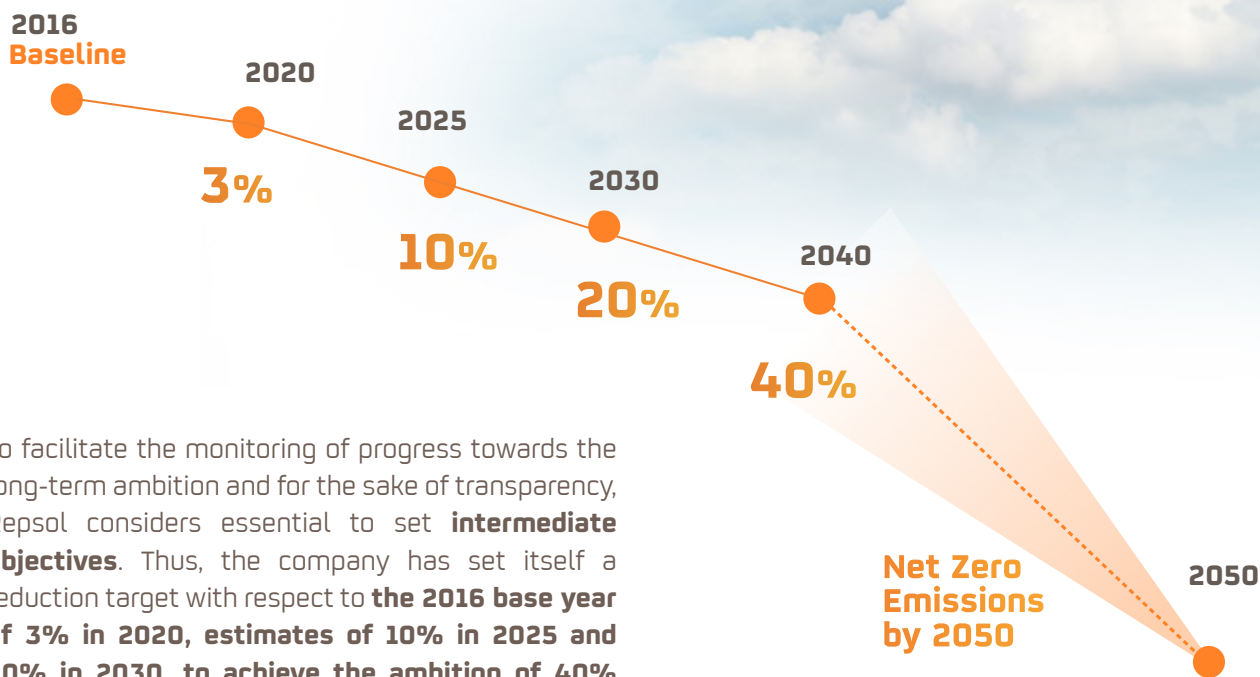
c. *Carbon intensity indicator as a decarbonization tool*

Our **carbon intensity indicator (CII)**, has been defined to respond to the company's need to evolve towards a business model compatible with the Paris Agreement and, moreover, a business model with **net zero emissions in 2050**.



Repsol has established intermediate targets to measure its progress towards energy transition

Repsol has defined the carbon intensity indicator in **gCO₂e/ MJ** to establish its emissions reduction targets based on the **scope 1+2+3 over time**, until the target of net zero emissions is reached in 2050.



To facilitate the monitoring of progress towards the long-term ambition and for the sake of transparency, Repsol considers essential to set **intermediate objectives**. Thus, the company has set itself a reduction target with respect to **the 2016 base year of 3% in 2020, estimates of 10% in 2025 and 20% in 2030, to achieve the ambition of 40% in 2040** in line with the International Energy Agency (IEA) Sustainable Development (SD) scenario and in accordance with society's demands.

It is possible to achieve at least **70% of the 2050 goal** with technologies that can currently be foreseen, and the company is committed to applying the best available technologies to increase this figure, including carbon capture, usage and storage.

Repsol would, if necessary, additionally offset emissions through reforestation and other natural climate sinks to achieve net zero emissions by 2050. Repsol's carbon intensity indicator takes into account in the **numerator** the emissions derived from the company's activity (direct and indirect emissions derived from exploration and production, refining and chemicals operations, and from power generation) and emissions associated with the use of our products derived from **our primary energy production**. In the **denominator**, the indicator includes the energy that Repsol makes available to society in the form of end products **derived from the production of primary energy from oil and gas**, biofuels and electricity produced.

In **2019** we achieved a **2.8%** reduction via energy efficiency plans and methane emissions management, increasing use of biofuels in gasolines and diesels, the contribution of the low emissions electricity business, and the company's commitment to petrochemical businesses.

Carbon intensity

2019	2016
75.5	77.7
gCO ₂ e/ MJ	gCO ₂ e/ MJ

2019 Integrated Management Report



PDF

<https://bit.ly/334Li33>

d. Decarbonization through the 2020s. Key steps:

The journey to net zero emissions by 2050 includes a series of intermediate targets beginning with the reduction of **3%** of the carbon intensity in 2020, **10%** and **20%** carbon intensity reductions by 2025/2030 respectively.

The different time horizons have different solution profiles, more certain and deterministic in the short/mid-term, more uncertain longer term, where we can depict a range of scenarios with different solutions.

2025 [10% reduction of CII]

- **Higher energy efficiency and direct emission reduction** will play a significant role, with specific targets of reducing 3MtCO₂e per year in 2025 vs 2017 baseline, 25% reduction of methane emissions from E&P operations and 50% reduction of E&P routine flaring.
- **E&P portfolio management**, reducing production from the higher CO₂ emitter fields.
- **Renewable generation** (target of 7.5 GW).

All these are very specific measures with well-established targets.

2030 [20% reduction of CII]

We will have a range of several options, still based on relatively well-established technologies, although we may expect them to become more cost competitive:

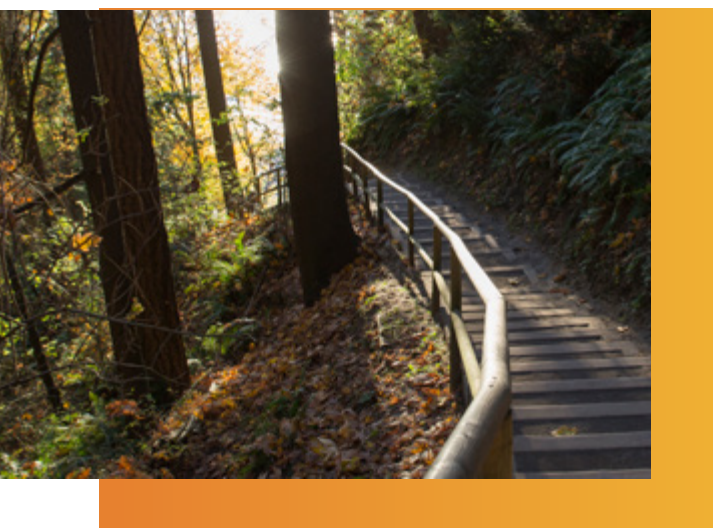
- To continue **increasing our renewable power generation**. We may target a low carbon power generation capacity of **~12-15 GW**.
- **Decarbonization of refinery operations**: our refineries in 2030 will be quite different from today, we would like them to stay in the **1st quartile in decarbonization terms**, where they are today, and in the **1st quartile in profitability terms**. For that, we are already working on advanced biofuels and biogas from organic waste, integration of renewable generation, and production of blue and green hydrogen.

2040-2050 [40% to net zero]

- Here we need to speak about a **range of solutions and scenarios**. The combination of what will materialise will depend on the pace of technology evolution. **Repsol is exploring CCUS, e-fuels, and renewable generation linked to energy storage systems**. As a result, hydrocarbon production will be higher or lower depending on the ability to find technology pathways that decarbonize their use, in competition with renewable energy.

e. Net Zero 2050, a Climate Change Revolution. The need for a common standard

Repsol has been the first company in the oil & gas sector worldwide that has committed to net zero emissions in 2050.



Since then, the European majors have followed the same direction and we are aware that the ESG and the financial community are trying to better **understand and compare the level of ambition of the different commitments**, as well as **their alignment with the Paris Agreement goals**.

This has opened the door to the need of establishing **common standards to track the progress to net zero emissions**.

Before addressing this topic, we would like to emphasize the commonalities between the European majors which are the ambition to decarbonize the energy production and to be part of the solution to climate change.

Regarding the ambitions, goals and targets established, we believe that the sector does not necessarily need to use the same metrics; instead **what is needed is the use of common principles based on good science. In addition, being transparent about the methodologies used is necessary** to allow investors and analysts to understand and assess the performance of these companies.

We would not oppose the use of a standard metric for comparative reasons, but as noted previously, the carbon intensity indicator is the tool that Repsol has defined to drive and monitor the progress of its energy transition towards net zero in 2050.

We found two key commonalities among the metrics used by European IOC's. First, **the concept of being net zero in 2050**, and second, to **include in the measurement scope 3**, the carbon emitted from our products. This, by itself, **sets these ambitions very high**.

As a matter of fact, until very recently, climate targets were focused on emissions from scope 1 and 2. It is crucial, however, to include scope 3 emissions in these targets, as these represents **~85%** of Energy companies' total emissions.

As an Energy company, we take responsibility for the GHG emissions from our industrial processes and operations and additionally **recognise that the use of our products contributes to climate change**.

In reality, just a few oil and gas companies have embraced scope 3 emissions in their climate targets. **The main difference among methodologies is related to the company's definition of the perimeter of the scope 3 emissions:** either to the products that are obtained from the primary energy production mix or alternatively to the products sold.

There are disagreeing views in terms of what constitutes a Paris aligned net zero ambition. And there is not a clear-cut answer for this, as it depends on whether a specific company is short or long when comparing its primary energy production volume vs its fuel commercialization volume.

Our views on the best approach to setting net zero ambitions are based on the following rationale: **we believe there are two drivers of global emissions, one is the world's energy mix**, and second, the **level of decarbonization along the chain of transformation and use of energy**.

It is our belief that what drives the global emissions is the energy mix the world produces. Therefore, our commitment to Net Zero Emissions by 2050 considers the scope 3 of our products from our primary energy production

For an energy company, its primary energy mix comes first. Therefore, **we have decided to define our scope 3 based on the products obtained from our primary energy production.**

We believe that energy producers should compute their scope 3 emissions rather than fuel sellers, as it would not be rational that both compute the same emissions [double counting].

As standardization is desirable for the sake of comparing net zero ambition levels, **we are open to providing our calculations both with our rational methodology**, as well as with alternative approaches to facilitate like-for-like comparisons.

Again, engagement and transparent reporting are key.

f. What would be the importance of the Natural Climate Solutions in the 2050 target?

Repsol, in line with its commitment to sustainability, considers the Natural Climate Solutions (NCS) **a great additional lever to other mitigation approaches** - such as energy efficiency, renewable energy or CO₂ capture and storage to advance its energy transition strategy aligned with the Paris Agreement.

To reach the goal of net zero emissions in 2050, **Repsol will offset emissions through reforestation and other natural climate solutions if the main mitigation levers are not enough for this purpose. We apply the “first reduce, then offset” principle to compensate for those unavoidable or difficult emissions.**

NCS can deliver interim solutions for hard to abate emissions while waiting for new technology to reach scale.



To reach the goal of net zero emissions in 2050, Repsol will offset emissions through reforestation and other natural climate solutions if the main mitigation levers are not enough for this purpose

g. Beyond COVID-19: will the energy transition accelerate or decelerate?

The energy transition will probably keep its pace, but there may be a change in the way it is delivered. The path must be founded on returns, focus on cost-efficiency, technology neutrality, social response and industry competitiveness, as well as stable policies and regulations.

h. Which are the main challenges when facing the energy transition?

We think that challenges may come from the regulatory side. **A stable regulatory framework is needed for the development of energy transition.** Discussions among policy makers are required to provide companies with a stable financial and investment framework to develop technologies and innovation.



A stable regulatory framework is needed for the development of energy transition

Companies cannot do this alone. We need regulatory stability and the support of governments to boost some technologies (such as CCUS, e-fuels, green hydrogen, among others).

Regulations can no longer be a burden. Energy transition must be based on cost- efficiency and industrial competitiveness.

i. *The 2020 Global Sustainability Plan includes commitments to move us towards zero net emissions*

Repsol's 2020 Global Sustainability Plan includes commitments to move us towards zero net emissions and meet the goals of the Paris Agreement. These commitments are centred on reducing our carbon intensity indicators and reorienting our business strategy. They are also aligned with the United Nations 2030 Agenda and Sustainable Development Goals (SDG), maximizing the contribution to those considered priority for the company.

2020 GLobal Sustainability Plan



PDF
<https://bit.ly/39FEpq1>

04

Repsol becoming a key player in the renewable power generation industry

Repsol has already led the industry in its energy transition targets, both in emissions reduction and in investments in low carbon businesses. Our recent resilience plan reinforced these aims. Based on our portfolio flexibility, **new renewable projects will be added to our portfolio in order to prioritize the most profitable projects.** This addition will allow those projects to compete for capital against E&P and downstream projects.

On December 2019, the company increased its target in low carbon electricity generation capacity by 3,000 MW, since 4,500 MW to **7,500 MW** by 2025.

Repsol will expand into international markets to become a leading international player in renewable energies

On July 23rd, Repsol announced it continues the expansion in renewable energy with the signing of an agreement with Grupo Ibereólica Renovables, that gives our company access to a portfolio in Chile of projects in operation, construction or development of more than 1,600 MW in 2025, with the possibility to exceed 2,600 MW in 2030.

This operation crystalizes **Repsol's first entry in the international renewable market**. Our company gains access to quality assets and a good future pipeline in a stable market such as Chile, already well consolidated in the renewable sector with a growth forecast, thanks to the existence of areas with abundant sun and wind resources.

Repsol and Grupo Ibereólica Renovables will create a **joint venture** in Chile with each party holding **50%**, through an **increase of capital of 168 million euros** to be disbursed by Repsol through **2023**.

The joint venture in Chile will have a diversified portfolio of assets **[52% wind and 48% solar]** which are distributed into **78 MW** of renewable generation capacity already in operation, **110 MW** under construction, **1,500 MW** in advanced stages of development which will be operational in 2025 and another **1,000 MW** planned for 2030. The agreement gives Repsol the **option to take control of the venture from 2025**.

ENTRY IN CHILE'S RENEWABLE MARKET

Projects by
2025 Chile

JV 50%
~0.8 GW

Initiating international expansion in renewables

- **Joint Venture with Ibereólica**
[50%] - option to control the JV after 2025
- **Cash out does not jeopardize the Resilience Plan 2020**

Diversified portfolio [52% wind and 48% solar] of up to 2.6 GW Gross

- 78 MW in operation
- 1.6 GW of projects under construction [110 MW] or in advanced development stage [1.5 GW] to be installed in the next five years: 3 wind and 2 solar
- Additional 1 GW projects planned to 2030

Repsol buys renewables assets in Chile



PDF

<https://bit.ly/3hQ3Kk1>

Today, the company has already **3,000 MW** of low-carbon generation assets in operation, to which must be added **2,000 MW** that are in the pipeline under development or construction.

IBERIAN PENINSULA

Projects by 2025 Spain

**Installed capacity
~3 GW**

**Under development
/ construction
~2 GW**



Project pipeline ~2 GW

335 MW	Delta
175 MW	PI
204 MW	Sigma
264 MW	Valdesolar
127 MW	Kappa
860 MW	Delta 2



Installed capacity ~3 GW

+ 600 MW	Cogeneration
~1,650 MW	CCGT
~700 MW	Hydro
~5 MW	WindFloat Atlantic

Below we summarize investors' frequently asked questions related to our low carbon business.

*a. Low carbon strategic vision.
Which are the key competences that Repsol can leverage for value creation?*

In 2018, Repsol defined a clear roadmap to develop its low carbon business, establishing different targets in the **Wholesale Gas Market** [> 15% market share by 2025], **Retail Gas & Power business** [> 5% market share and 2.5 M clients] and **Low Carbon Power Generation** [4.5 GW later increased to 7.5 GW].

We can leverage on different capabilities for value creation:

Wholesale Gas

Our top capability is that Repsol is the **largest consumer of gas in Spain**, ~12%- 13% of total gas consumption. Repsol can take advantage of that position to obtain competitive gas prices with third parties to supply our refineries and CCGT.

Retail Gas & Power

Customers are the **focal point** and we aim to supply all the energy citizens need both at their home, at work and when moving.

We can highlight the following advantages on the retail side:

- **Repsol brand** and its value.
- More than **10 M clients** in the Iberian Peninsula.
- **Capillarity**: ~4,000 service stations where we can create interactions and value with clients through non-energy retail leaders such as El Corte Ingles, Disney or Amazon, that allow us to create bundle offers including non-energy products.

- Different types of **electricity supply contracts** to offer our clients. Here we can speak about the Combo offer, a Customer Loyalty program different from what a traditional utility may offer. The discount is not in the electricity contract but in the products where customers make decisions (diesels or gasolines). We are making the customer more loyal while also protecting the product of the business that is more at risk now. Discounts vary from 5 cents in traditional gasoline to 10 cents on premium gasoline.

Our main success is in the number of clients accepting the combo offer, which is also totally digitalized and allow us to track the consumers' patterns.



The electricity sold by the company, under the Repsol brand, is certified as 100% low-emissions. Repsol has obtained the highest certification [Label A] from the CNMC, the Spanish competition regulator, on the environmentally friendly origin of the electricity it sells

- **Waylet**, our successful **digital channel** with personalized offers for our customers. In our traditional commercial business, we have a proven track record in innovation and strong commercial culture within the organization which has helped us increase our sales by 40% in the last 5 years vs 8% obtained by our competitors.
- **The electricity sold** by the company, under the Repsol brand, is **certified as 100% low-emissions**. Repsol has obtained the **Label A from the CNMC**, the Spanish competition regulator, the highest certification on the environmentally friendly origin of the electricity it sells.

Repsol reached more than 1 million electricity and gas customers by the end of December 2019.

Repsol passes the one million electricity and gas customer mark



URL
<https://bit.ly/2ErLRti>



Repsol reached more than 1 million electricity and gas customers by the end of December 2019

Despite the impact of the COVID-19 pandemic, **during the second quarter of 2020 the growth in new customers continued, reaching 1,072,000 clients as of 2Q 2020.**

Low Carbon Generation

Repsol will leverage on existing key capabilities, being the top one its technical expertise and experience in managing large scale projects:

- **Technological flexibility** and investment analysis to select the best projects.
- **Own Energy Management** - Advanced capabilities in energy trading, and with high experience in power markets, reinforced with the Energy Management team that joined Repsol with the acquisition of the Viesgo power generation assets, which will allow us to optimise our generated energy sales model.
- **In house experience:** Engineering, Construction and Purchase – Capture of higher profitability taking advantage of own technical capabilities, making better use of the continuous reductions in technology costs (solar and wind), and stronger bargaining power thanks to scale, with a portfolio of relevant size.
- In **Spain**, the revenue scheme will leverage the **natural hedge** of our retail business, which will allow us to optimize our sales management.
- **Diversify in emerging countries**, selecting emerging or developing vs mature countries of higher profitability, taking advantage of Repsol's international presence and financial strength.

b. *Is it possible for an oil and gas company to deliver profitability through the energy transition?*

The above-mentioned capabilities will help us to deliver **a double digit return from our low carbon investments**.

We are committed to embracing the energy transition while preserving value for our investors

We are conscious of investor's concerns about a traditional oil & gas company delivering value through the energy transition. **In fact, we are committed to embracing the energy transition while preserving value for our investors.**

Our target in low carbon investments is to obtain a double digit return with a 50% leverage.

Organic growth should be at the centre to ensure superior value creation. M&A is always an option but should be opportunistic and bring growth prospects and not just operating assets.

c. *What will be the company's renewable mix in future?*

We would like to strike a balance that matches as much as possible our clients' demand. For that, we may need a combination of **solar and wind, plus some hydro, and a moderate back up of CCGT.**

05 Strategy on Biofuels



At the end of 2019, Repsol's biofuel production capacity was **667K tons/year** divided up between **Bio ETBE [319K tons/ year]** and **hydrogenated vegetable oil-HVO [347K tons/year]**, co-processed in our plants.

In 2019, our company achieved a **record in the use of biofuel**, adding ~ **1.25 million tons** of biofuels to diesels and gasolines (40% produced in Repsol refineries, 60% bought to third parties). These biofuels have reduced emissions released through transport by **2.8 M of CO₂**.

Repsol has started to use advanced commercial biofuels made from industrial and domestic waste. In this sense, Repsol will focus on the circular economy as a tool to manage resources efficiently and will double the production of high-quality biofuels derived from HVO to **600,000 tons per year in 2030**, half from which will derive from waste transformation before 2025.

It is also worth mentioning that **we ensure the sustainability of the raw materials that are incorporated in our products**. As a matter of fact, we follow international frameworks that prove compliance with legal requirements for biofuels/bioliquids in the European Union and other important energy markets. We are certified under ISCC (International Sustainability & Carbon Certification) system in our whole biofuel value chain.



Expansion plans

We have biofuel's expansion plans, especially related to BIOS2G, among which **the HVO production plant in Cartagena** stands out. Currently, we are advancing the engineering studies of this project and it is expected to be approved during the year 2020.

Regarding its input, the plant will be prepared to process different kinds of residual feedstocks, not competing with the food chain. The plant will produce not only HVO but also bio jet, bio naphtha and biogas. Total Investment is estimated in **~€ 175 M.**

06

Repsol's public position on methane emissions

We endorse regulation to reduce methane emissions

Our approach to methane emissions is summarized below:

- a. At Repsol, we consider natural gas as the most cost-effective solution to promote a structured transition to a low emissions future, specifically in the power generation field.

We understand that **natural gas must play** an immediate and **fundamental role in reducing fossil fuel emissions**. Minimizing methane emissions is essential to ensure the advantages of natural gas as a lower carbon intensity energy source, key in the energy transition.

- b. At Repsol, we have defined a **strategy to reduce methane emissions at our facilities** based on the application of best practices in measurement and emissions mitigation. Aligned with that, we have joined several international initiatives as active participants. In addition, we have aligned our commitment to the OGCI initiative **to reduce our methane emissions intensity by 25% in our operating production assets by 2025** compared to 2017.

This methane commitment reduction highlights the fact that we are already taking a series of actions to this end, even when not required by current regulation.

The following link states Repsol's public position on methane emissions along with our support to regulations to boost methane emissions reductions:

Natural gas, at the heart of the energy transition



URL
<https://bit.ly/3jPShmi>

Our approach is also published on Repsol climate Roadmap, "Towards a low emissions future".

Towards a low emissions future



PDF
<https://bit.ly/2Xa4Kri>

07

Technology development for decarbonization

We have shared with our investors the progress Repsol is making in the portfolio decarbonization through the development of the following technologies:

a. Blue and green hydrogen

Refineries are big hydrogen consumers, as **hydrogen is used to improve the technical and environmental quality of fuel products**. Hydrogen is produced today by SMR (Steam Methane Reforming), where hydrogen is produced from natural gas, but CO₂ is produced also as a by-product which is released to the atmosphere. This is known now as “grey H₂”.

Refineries will need to decarbonize hydrogen production. One option is “blue H₂”, which is still produced from natural gas via SMR (Steam Methane Reforming) process, but CO₂ is captured and stored or used for other applications. The second option is “green H₂” which is obtained from decomposition of water by the effect of electricity in a process known as electrolysis. To produce green H₂, renewable electricity generation is used, so there is no CO₂ emissions in the process.

We are exploring these options in the journey to our Refinery 2030 vision.

Hydrogen is now considered an option to store energy and absorb peak/excess production of renewable power and it is also a product for mobility that may become competitive for uses where the utilization of electric batteries is more difficult, as for heavy duty engines for trucks.



b. Carbon Capture, Use and Storage (CCUS)

Repsol's position on CCUS is the following:

CCUS technology is critical to reaching the objective of “net zero emissions” by 2050 and, therefore, to maintaining people's quality of life. However, we do not expect this technology to be available before 2030.

CCUS technologies require **regulatory impetus** to be considered a **viable solution to climate change**. Without CCUS, the costs of adapting to climate change will be higher for both society and industry.

Pending challenges consist in securing state and public support, developing the needed political mechanisms, reducing costs (the cost of the capture of the CO₂ is expensive, **~70 USD ton / CO₂**) and creating infrastructure across the supply chain.

We need policies that will incentivize the investments needed for the initial development of CCUS. Nowadays, **Repsol is also focused on the usage of CO₂**, and is working on different initiatives (R+D) to use CO₂ as feedstock to produce polycarbonates.

More precisely, Repsol, through the Oil & Gas Climate Initiative (OGCI) is working in this issue in three chief areas:

- Means of marketing CCUS.
- CCUS technologies for gas capture and cost reduction.
- Availability of storage capacity in key markets.



Through the OGCI climate Investments, Repsol also participates in the development of these technologies. More information about the different companies in which the fund has secured stakes is available in:

OGCI website



URL
<https://bit.ly/39DC9zu>

In **2019**, OGCI launched the **CCUS KickStarter**, a new initiative to unlock large-scale commercial investment in CCUS, by enabling multiple low-carbon industrial hubs. These hubs will capture carbon dioxide from several industrial sources within one region and bring economies of scale by sharing transport and storage infrastructure. They also provide opportunities to use carbon dioxide in products. The goal is to create the necessary conditions to facilitate a commercially viable, safe and environmentally responsible CCUS industry.

The OGCI KickStarter CCUS initiative is designed to help decarbonize multiple industrial enclaves around the world, starting with 5 hubs in the United States, the United Kingdom, Norway, the Netherlands and China.

C. *Repsol to develop two major emissions reduction projects in Spain*

Very recently Repsol has announced the development of two major pioneering industrial decarbonization projects in Spain, both located in Bilbao.

The first project foresees an initial investment of **~60 million euros**. It involves building one of the **largest net zero emissions synthetic fuel production plants** in the world, based on green hydrogen generated with renewable energy.

In the first phase, which will be scalable in a later commercial stage depending on the results obtained, 50 barrels of synthetic fuel will be produced per day, with net zero emissions of CO₂ in the entire production cycle.

Repsol, Petronor refinery and the Energy Agency of the Basque Government (EVE) will be partners in this net zero emissions synthetic fuels plant.

The second project will represent an initial investment of **20 million euros**. Led by Petronor refinery, it will consist of a plant for **generation of gas from urban waste**. The generated gas will be used to replace part of the traditional fuels that the Basque refinery, one of the largest in Spain, currently uses in its production process.

In its first stage, this pyrolysis plant will be able to process around 10,000 tons of urban waste a year, and its capacity could be increased in later stages to approximately 100,000 tons a year, equivalent to all the urban waste produced in the surrounding area.

Both initiatives—innovative, sustainable, and generating high added-value—**anticipate the refinery of the future** and represent an important impetus to technological and industrial development that is essential in the current context of economic recovery.

Repsol to develop two major emissions-reductions projects in Spain



URL
<https://bit.ly/3hKhE72>

08

Other announcements in energy transition

To end the chapter about energy transition, a summary of the main new energy activities or investments announced during **2019 and 2020** is provided below:

April 2019

Repsol opens the Iberian Peninsula's first ultra-fast charging point for electric vehicles

@ URL
<https://bit.ly/3hKj6q0>

July 2019

Repsol to develop three new renewable energy projects totalling 800 MW

@ URL
<https://bit.ly/337Ju9n>

July 2019

Repsol launches 50 million euros social impact investment fund

@ URL
<https://bit.ly/3ghlyD6>

July 2019

Turbine assembly begins for the WindFloat Atlantic project

@ URL
<https://bit.ly/30VHMuU>

October 2019

WindFloat Atlantic begins the offshore installation of the first floating wind farm in continental Europe

@ URL
<https://bit.ly/2X9b2aF>

October 2019

Repsol opens the most powerful electric vehicle charging station (400 kW) in Europe

@ URL
<https://bit.ly/2BLvcQC>

December 2019

Repsol and Ibil strengthen their position in electric vehicle charging

@ URL
<https://bit.ly/39E4F48>

December 2019

Repsol passes the one million electricity and gas customer mark

@ URL
<https://bit.ly/2ErLRti>

December 2019

Repsol launches Solify, boosting solar self-consumption market offering

@ URL
<https://bit.ly/2XbppeC>

January 2020

WindFloat Atlantic project starts supplying clean energy in Portugal

@ URL
<https://bit.ly/2X9BFvU>

January 2020

Repsol to develop 26 new wind farms in Aragon in northern Spain, totaling 860 MW

@ URL
<https://bit.ly/30apGAb>

April 2020

Repsol launches Solmatch, the first large solar community in Spain

@ URL
<https://bit.ly/2Xb11d1>

May 2020

The last platform of the world's first semi-submersible floating wind farm sets sail

@ URL
<https://bit.ly/30cMijE>

July 2020

The first floating wind farm in continental Europe is now fully operational

@ URL
<https://bit.ly/30bHrzd>

July 2020

Repsol and Nortegas reach an agreement to promote the opening of a natural gas supply network

@ URL
<https://bit.ly/3khKgqv>

August 2020

Repsol produces airplane biofuel for the first time in Spain

@ URL
<https://bit.ly/2DzhBfH>

09

Human rights. Main topics discussed

a. Repsol's approach to local communities, employees and contractors in the context of the COVID-19 pandemic



Repsol's high standards in human rights performance have been maintained and reinforced during the COVID-19 pandemic

In its own operations and business relationships, Repsol has taken measures **to ensure both health and safety and to maintain livelihoods of employees, contractors and nearby communities.**

Among the measures for the employees and contractors, Repsol has facilitated remote working whenever possible, implemented physical distancing protocols, quarantine periods for the staff to access remote sites with operations, provided Personal Protective Equipment and hand-washing facilities, training courses and advices about prevention and protection, medical and psychological teams for mental health support, medical and logistic support during the sanitary emergency.

One of the main purposes has been the avoidance of contagion with local and indigenous communities, while preserving all due observance of their Rights.

Below we summarize some of the extraordinary measures adopted when dealing with most of these vulnerable groups:

- Avoided any contact between Repsol's employees and contractors with indigenous communities during the pandemic.
- Carried out prevention campaigns in their languages.
- Minimized the number of employees and contractors working in blocks with presence of vulnerable indigenous communities.
- Carried out comprehensive preventive sanitary controls.
- Took other medical and social actions in coordination with Governments and local authorities, such as providing first medical assistance, material and logistics, transportation of members of nearby communities from remote areas to medical centres when required.

- Maintained available grievance mechanisms and channels through which communities and employees can raise complaints or concerns related to COVID-19 and other human rights related issues without retaliation.

b. No-go decision after performing a human rights impact assessment in La Guajira, Colombia

Human rights impact assessment in La Guajira: The company made the decision to discontinue its operations in this block, in coherence with its policy of acknowledgement and respect for the cultural diversity of communities

Before initiating an exploratory project in Colombian territorial waters in the Caribbean Sea, in the region of La Guajira, Repsol carried out a human rights impact assessment that **concluded with the company's decision to not go through with the exploratory project** in this area (part of the acreage concession).

The human rights impact assessment was carried out with a focus on interaction, including respect towards local culture. Repsol's methodology was presented to traditional authorities (of the indigenous ethnic group, the Wayuu).

Prior to the start of the study, interviews that ensured diversity were conducted with a view to securing the active participation of local communities including

the indigenous groups throughout the process. The conclusions of the study were shared with all of them, most significantly with the indigenous communities at widely attended meetings held in the local language where aspects related to territoriality and a loss of identity among the young people were discussed, as well as labor, economic, environmental, and women's rights.

However, the most relevant impact identified was the **protection of sacred areas**. If the project was developed, it would involve an intervention in an area that the Wayuu identify as Jepira, which includes mythical and sacred areas for this ethnic group. Therefore, the culture and the very existence of the Wayuu people could be put at risk.

After assessing the cultural impact and concluding that there were no possible mitigation measures, **the company decided to abandon any kind of operations in this part of the block**, being consistent with our policy of recognizing and respecting the cultural diversity of indigenous communities.

The case was presented in a **private hearing before the European Parliament in 2019**, during the event "Multi-Sector Dialogue: European Companies and Due Diligence in Latin America".

c. Corporate Human Rights Benchmarking (CHRB)

The Corporate Human Rights Benchmark (or CHRB) is an initiative led by investors, NGOs, and think tanks, and is supported by the World Benchmarking Alliance (WBA). **It provides the most important study of corporate human rights performance at the global level**, evaluating 195 companies in four sectors: agricultural products, apparel, ITC manufacturing, and extractive (E&P and mining). The methodology for this initiative is based on the UN Guiding Principles on Business and Human Rights. So far, CHRB has conducted three benchmark studies.

In November 2019, the Corporate Human Rights Benchmark (CHRB) published the results of its 3rd study.

Repsol ranked in the 7th position in the Corporate Human Rights Benchmark [CHRB] with 195 companies analysed. The company ranks 1st in the Oil & Gas sector

Repsol scored **70.1 points/ 100 points, 24.3 points increase [53%] vs 2018**. The improvement came mainly from the exhaustive update of Repsol's human rights public available information.

10 Corporate Governance

Inclusion of sustainability metrics in the remuneration of the employees, the Executive Committee and the CEO

The company has set sustainability targets for all employees with variable remuneration. These objectives are linked to safety and environment issues and the percentages vary depending on the country or the business in terms of social, energy, and climate change issues [2018–2025 Emission Reduction Plan].

Since 2012, in certain businesses (such as refineries) all employees (including those working under special agreements) receive variable remuneration linked to CO₂ emissions reduction objectives.

As mentioned along this report, it is a priority for Repsol to maintain a continuous and two-way dialogue throughout the year with the most important shareholders, institutional investors, and proxy advisors in order to share information about the proposals and objectives related to corporate governance issues. As a result of this dialogue and according to the resolution passed by the Board of Directors on December 2nd, to align the company with the objectives of the Paris Agreement, the objectives related to sustainability and decarbonization in the **2020 annual variable remuneration of the CEO** have been increased up to **25%** and up to **40% of the long-term variable remuneration**.

For the rest of employees, the sustainability targets in the annual variable remuneration weigh between **10%** in corporate areas and **25%** in business areas.

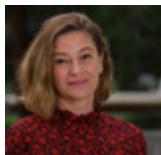
For **the long-term variable remuneration**, the weight of targets related to decarbonization and sustainability is **40%** for managers and leaders, including the CEO and Executive Committee.

Linking variable remuneration to objectives aims to comply with the Paris Agreement.

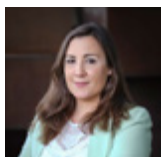




Ramon Álvarez- Pedrosa
Director of Investor Relations
ralvarezp.ir@repsol.com



Leticia Padura
Investor Relations - ESG Manager
lpadurafn@repsol.com



Sara Elizalde
Investor Relations - ESG Analyst
sara.elizalde@repsol.com