

Repsol Transition Financing Framework

March 2022 (Update from June 2021)



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1. Introduction

Repsol, S.A. (“Repsol” or “We”) is a global integrated company at the forefront of the international energy sector that uses innovation, efficiency and an inclusive and trust-based work environment to create sustainable value in the service of societal progress. We operate across 33 countries with a team comprising over 24,000 people who work on building a sustainable future.

The energy sector has an important role to play in the fight against climate change and in response to this challenge our energy mix is evolving with a dual objective: i) supplying clean, safe, reliable and affordable energy for the development of society and ii) addressing climate change through a structured energy transition.

At Repsol, we are on a **time-bound pathway to the energy transition** with milestones to 2050. Repsol already deploys various transition levers such as ambitious programs to improve the energy efficiency of our operations, the active management of our energy mix, the development of sustainable mobility and low carbon power generation businesses, and the manufacturing of advanced chemical products.

Global Sustainability Plan & Local Sustainability Plans

Sustainability is at the core of Repsol's strategy and part of our decision-making process. It is steered by the company's top management, who defines the company's sustainability objectives, action plans, and practices. The Sustainability Committee, an independent body that reports directly to Repsol's Board of Directors, has supervisory, informative, advisory, and proposal functions in the environmental, social, and safety spheres. The Executive Committee is in charge of deploying the Sustainability Plan in all the countries where we operate.

Repsol's Sustainability Model incorporates ethical, environmental, and social considerations into decision-making processes, based on dialogue with our stakeholders. Repsol's Sustainability Model is articulated around six axes, which frame our Global Sustainability Plan.



Each year, we set short and medium-term targets in our Global Sustainability Plan, which also serves as a roadmap for deploying local action plans in each country or industrial complex, taking into account the specific circumstances and needs of each location where we operate. The 2022 Global Sustainability Plan¹ establishes 49 objectives in the medium term, structured around our Sustainability Model axes, while hundreds of additional actions will be enshrined into the 20 different Local Sustainability Plans currently implemented in our industrial sites or countries in which we have operations. The Sustainability Plans and all relevant information are continuously updated on Repsol's website².

Repsol supports the United Nations Agenda 2030 for Sustainable Development and contributes to the Sustainable Development Goals (SDGs), taking them as a reference to define our sustainability priorities. This prioritization has been established considering the SDGs to which we can contribute most as a company concluding that most of our Agenda 2030 contribution is and will be focused in the seven SDGs listed below. In 2020, we published

our SDG Report³ and established ourselves as pioneers in the publication of a specific report on our contribution to Agenda 2030.



¹ Global Sustainability Plan 2022: Repsol, Global Sustainability Plan 2020, available: <https://www.repsol.com/content/dam/repsol-corporate/es/sostenibilidad/informes/2022/plan-global-sostenibilidad-2022.pdf>.

² Repsol's website.

³ Repsol, 2021 SDG Report (in Spanish and English), available: [Informe ODS 2021](#).

Our Social and Governance Commitments

At Repsol we work every day to offer energy solutions that enhance people's lives and societal development, building a low-emissions energy model. We are part of society and we share the same concerns, acting under the following principles:

1. Maintain and reinforce our social license to operate.
2. Build a network of collaboration and shared value with all stakeholders, contributing to social and economic development, promoting listening, always attending to the needs, suggestions or criticisms of our clients, neighbors of the areas in which we operate, employees and society in general, focusing on social issues, always working with transparency, and always acting with humility.
3. Rigorously apply the highest standards in Corporate Governance and Compliance. In particular, and in the area of Responsible Tax policy, it is worth mentioning that Repsol voluntarily complies with the new GRI-207 standard (one of the most stringent of its kind in terms of tax transparency) and that we have voluntarily adhered to the B-team Responsible Tax Principles. Furthermore, as part of our commitment towards the SDGs, the Repsol Global Sustainability Plan expressly includes challenging objectives of a tax nature, fully aligned with UN2030 Agenda for Sustainable Development.
4. Always put people's Safety above anything else.
5. Facilitate diversity of opinion, constructive criticism and dissent in the organization, avoiding complacency and accommodation.

In 2020, for the second straight year, Repsol came within the top quartile of companies operating in the extractive sector in the Corporate Human Rights Benchmark (CHRB). Additionally, Repsol is signatory to the UNPRI's statement of commitment to support a Just Transition⁴ on Climate Change.

⁴ Repsol is signatory to the UNPRI's (United Nations Principles for Responsible Investment) statement of commitment to support a Just Transition on Climate Change.

2. Repsol's Climate Roadmap

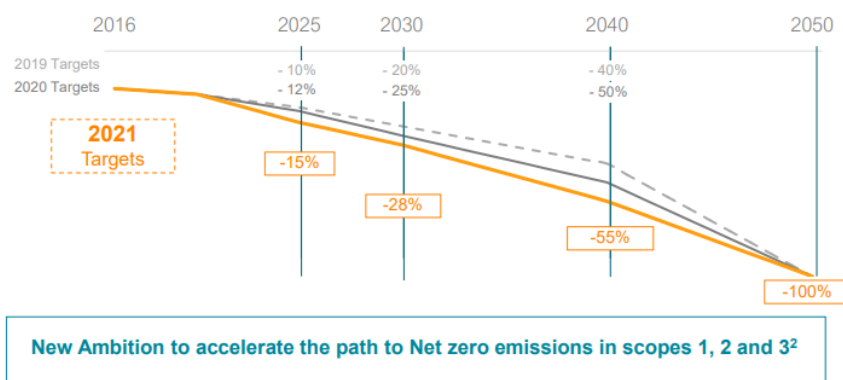
Repsol released on 26 November 2020 its new 2021-2025 Strategic Plan “Stepping up the Transition” which is aimed at transforming the company in the following years, accelerating its energy transition while ensuring return and the highest value for shareholders.

Repsol further reinforced its Net Zero pledge with the publication of its new decarbonization pathway in October 2021 during its Low Carbon Day, with the aim of accelerating the energy transition towards Net Zero emissions in 2050. It outlines a challenging roadmap with more ambitious intermediate emissions reduction targets as presented in the chart #1 and defined in §2.2 (Our environmental targets).

Chart #1: Updated Reduction Targets for Repsol's Carbon Intensity Indicator

First O&G to claim Net Zero emissions
Committed in 2019, Increased in 2020, Reinforced in 2021

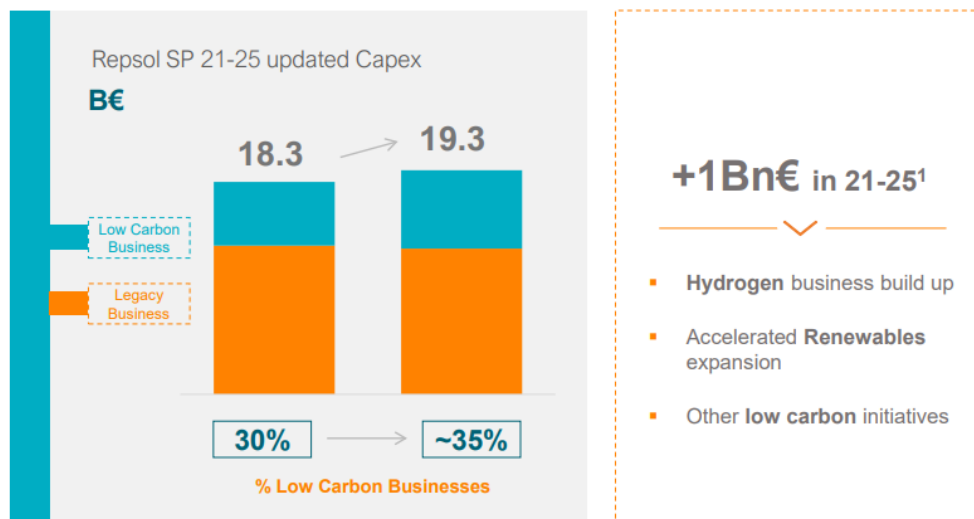
Carbon Intensity Indicator¹ reduction targets [gCO₂/MJ]



1. 2016 baseline.
2. Emissions based on the use of the products from our upstream production

Source: Repsol 2021-2025 Low Carbon Day Presentation

To achieve these additional reduction targets, the updated strategy projects an increase in investment of €1 billion, reaching €19.3 billion between 2021 and 2025, of which €6.5 billion – 35% - will go to low-carbon businesses.



1 Includes new low carbon platforms, low carbon generation investments, decarbonization efficiency investments, e-mobility, and value-added services

2.1. Our Commitments

Our commitment to sustainability has been constant over the past 25 years. We were the first company in the oil & gas industry to support the Kyoto Protocol and the first to announce in 2019 the ambitious target of achieving net zero emissions⁵ (scope 1, 2 and 3) by 2050. Repsol's bold announcement to be a carbon neutral company by 2050 was highly praised by investor community, Climate Action 100+ and IIGCC⁶ among others. Climate Action 100+ has highlighted the result of its engagement with Repsol in its latest progress report⁷.

As a signatory of the Paris Pledge for Action Document⁸, we are committed to being part of the climate change solution. Repsol is firmly committed to **adapt its activities and investments to be consistent with the ambition of limiting the average global temperature rise to well-below 2°C** above pre-industrial levels by the end of the century.

Repsol considers the IEA⁹'s 2020 Sustainable Development Scenario (SDS 2020) as a reference to identify transition risks and opportunities and to analyze the key pillars and technologies that will contribute to achieving a low-emissions future for the company.

⁵ IPCC: Net zero emissions are achieved when anthropogenic emissions of greenhouse gases to the atmosphere are balanced by anthropogenic removals over a specified period.

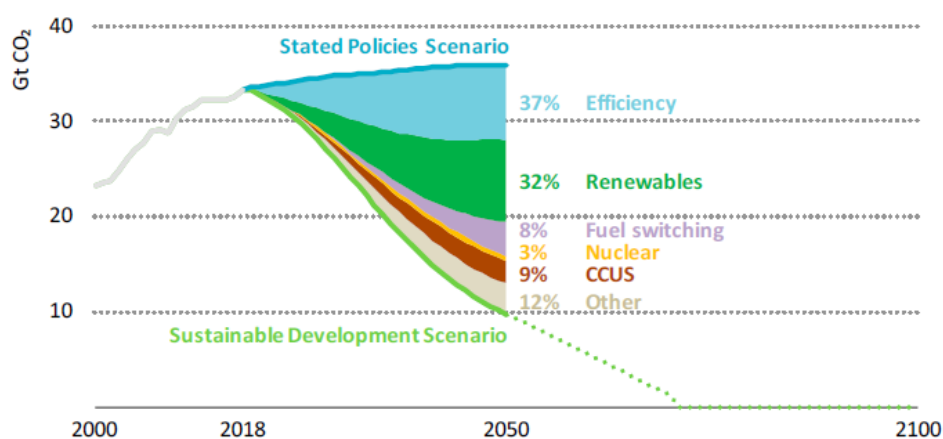
⁶ IIGCC: [The institutional Investors Group on Climate Change 2021](#).

⁷ Progress report, available [online](#).

⁸ By joining the pledge, businesses, cities, civil society groups, investors, regions, trade unions and other signatories promised to ensure that the ambition set out by the Paris Agreement is met or exceeded to limit global temperature rise to less than 2 degrees Celsius www.parispledgeforaction.org.

⁹ IEA: International Energy Agency.

Chart #2: IEA Global CO₂ emission reductions in the Stated Policies Scenario vs Sustainable Development scenario



Source: WEO 2019, IEA

In line with Repsol's commitment to fighting climate change and decarbonizing the economy, Repsol is working to ensure that all the associations and initiatives in which we take part are aligned with both the fulfilment of the goals of the Paris Agreement¹⁰ and our main decarbonization levers regarding climate change: (i) Efficiency, (ii) Portfolio Transformation, (iii) Low carbon Fuels & Circularity, (iv) Low carbon power generation and (v) Technological Breakthroughs & Carbon sinks as presented in §2.3 Repsol's decarbonization levers. Selection is based on the associations or initiatives' relationship to the energy sector, their scope of action in regions or countries where we have significant business or commercial operations, and their relevance in relation to climate change¹¹.

2.2. Our environmental targets

To facilitate the monitoring of progress towards our long-term ambition of net zero by 2050 and for the sake of transparency, Repsol considers it essential to set intermediate objectives. Thus, Repsol has developed carbon intensity indicator ("CII") reduction commitments with respect to 2016 base year¹² of

- **15%** by 2025 (previously targeting 12%),
- **28%** by 2030 (previously targeting 25%) and
- **55%** by 2040 (previously targeting 50%)
- to achieve the ambition of reaching **net zero** by 2050.

¹⁰ Repsol published its 1st assessment on May 2020, available [online](#). And its [update on 2021](#).

¹¹ Relevance in relation to climate change, available [online](#).

¹² Year 2016 has been established as the base year, since it is the first year in which all Talisman Energy's assets are consolidated following its acquisition in December 2014.

To achieve this objective, Repsol has defined a **carbon intensity indicator**¹³ **expressed, on a net basis**, in grams of carbon dioxide equivalent per megajoule (g CO₂e/MJ) that measures CO₂e emissions for every unit of energy that we make available to society. This indicator is the basis for setting emissions reduction targets based on the scope 1+2+3 ¹⁴ over time, to reach net zero emissions in 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 emissions from the power generation) and emissions associated with the use of fuel products derived from our primary energy production (oil, and natural gas). 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, and low carbon energy sources.

$$CII = \frac{\text{Operational Scope 1 + 2} + \text{Scope 3 O\&G E\&P based} - \text{Low Carbon Location-Based Emissions Shift} - \text{Carbon Sinks}}{\text{Energy Products} + \text{Non Energy Products} + \text{Low Carbon Energy Sources}}$$

Repsol's methodology for CII calculation, targets the main lever behind decarbonization: the primary energy mix that the company produces and supplies to society, as well as its degree of decarbonization. Our methodology also avoids undesired results, such as double counting of emissions, which would happen if the same emissions were attributed to more than one link in the production – refining – marketing chain. Furthermore, if the methodology for scope 3 emissions was based on the product sales, then oil production could be increased without an impact on the CII should the volume of marketed oil products is greater than oil production.

According to the Article 4 of the Paris Agreement, net zero emissions must be achieved before the second half of this century on an absolute net emission basis and therefore on a net intensity basis as well. The CII gives Repsol flexibility to address short- and medium-term objectives by promoting energy transition, while setting an absolute long-term goal for meeting the objectives of the Paris Agreement.

¹³ Carbon intensity indicator, available [online](#).

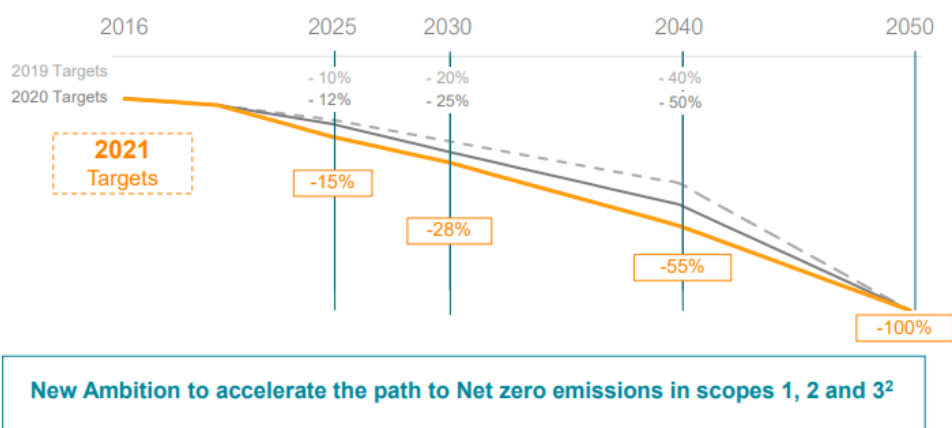
¹⁴ Please refer to Glossary at the end of this document.

A clear decarbonization pathway towards net zero in 2050
% CII reduction (baseline 2016)

First O&G to claim Net Zero emissions

Committed in 2019, Increased in 2020, Reinforced in 2021

Carbon Intensity Indicator¹ reduction targets [gCO₂/MJ]



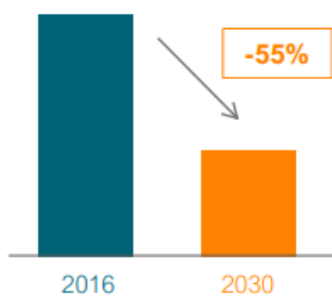
1. 2016 baseline.
2. Emissions based on the use of the products from our upstream production

In addition, in its renewed decarbonization ambition announced in the Low Carbon Day, Repsol has set new absolute emissions and methane intensity targets:

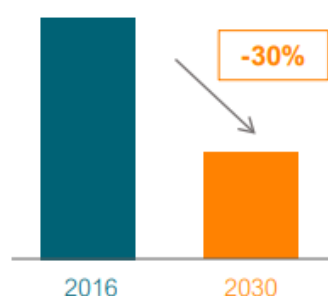
- **55%** reduction of operated emissions (scope 1+2) by 2030 from the 2016 baseline
- **30%** reduction of net emissions (scope 1+2+3) by 2030 from the 2016 baseline
- **85%** reduction of methane emissions intensity by 2025 from the 2017 baseline

Absolute emissions reduction (%)

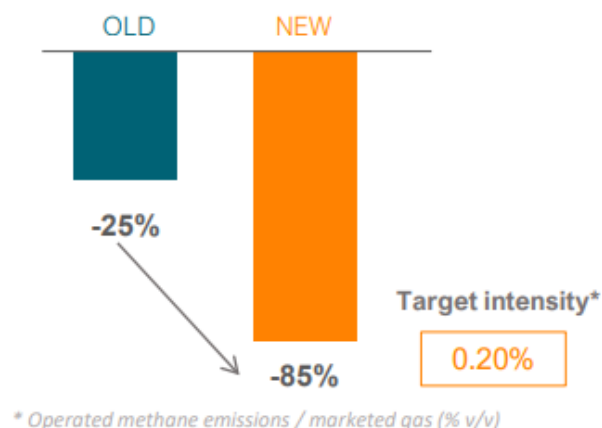
Scope 1&2 operated emissions [Mt CO₂eq]



Scope 1,2&3 net emissions [Mt CO₂eq]



Methane intensity reduction 2025 vs 2017 (%)



By the end of 2020, Repsol has achieved a reduction of 5.0% in the CII (scope 1+2+3) from the 2016 baseline, exceeding the initial target of 3.0%. This value was significantly higher than the target, mainly due to reduced business activity due to the context of the year (COVID-19). The company estimates that the final value would have been around 3.7%, considering activity levels prior to the pandemic. This improvement was achieved thanks to the implementation of energy efficiency and methane emissions management plans, the growing incorporation of biofuels in gasoline and diesel, and the contribution of the low-emission electricity business.

Since 2006, Repsol has accomplished several CO₂ emissions reduction plans, detailed as follows:

- From 2006 to 2013: Repsol reduced its emissions by 3.1 million tons CO₂e.
- From 2014 to 2020: Repsol has reduced its emissions by 2.43 million tons CO₂e.

As a result of these reduction plans, the Company has reduced its emissions by **5.54 million tons of CO₂e in total over the period 2006 - 2020**

Under the new strategic plan, Repsol has defined a new reduction plan that covers the **period 2021-2025 and commits to reduce furthermore its emissions by 1.5 million tons of CO₂e over that period.**

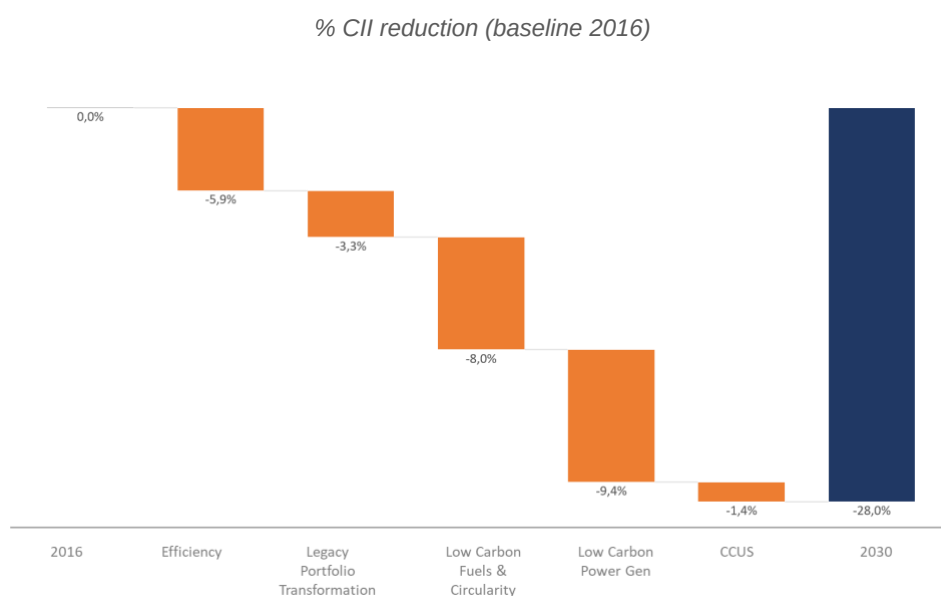
In addition, the company has other specific climate targets and ambitions in line with each decarbonization lever, as presented below.

2.3. Repsol's decarbonization levers

There is no one single solution that can solve climate change alone, nor is there only one path to achieving the objectives of the Paris Agreement. Repsol believes that all levers will be needed, with technology and innovation playing a major role towards the objective of a low emissions future.

In our current scenario analysis, Repsol foresees 5 main levers, to achieve its net zero emission target by 2050: (i) Efficiency, (ii) Portfolio Transformation, (iii) Low carbon Fuels & Circularity, (iv) Low carbon power generation and (v) Technological Breakthroughs & Carbon sinks.

The chart #3 below shows the contribution of each such lever to achieve the 2030 28% CII reduction target.



In the period 2030-2050, each of the levers defined in Repsol's decarbonization pathway has a variable relative contribution depending on the alternative scenario being analyzed; in percentage terms the transformation of the E&P portfolio with lower hydrocarbon production would contribute 16-18%, low carbon fuels and the circular economy 20%-35%, renewable electricity generation 35%-50% and CCUS 12%-14%.

01. Efficiency

The implementation of energy efficiency in our processes, including the reduction of methane emissions and hydrocarbon routine flaring¹⁵, is key to our strategy in order to reduce scope 1 and 2 GHG emissions whilst improving the competitiveness of our businesses.

Our commitment is evidenced by:

- (i) the fact that between 2006 and 2020, the company managed to reduce its GHG emissions in processes and activities by 5.54 million tons CO₂e
- (ii) Our medium-term targets:
 - a. By 2025, 85% reduction in methane emissions intensity from Repsol-operated exploration and production assets, using a 2017 baseline, that is to reach a methane intensity of 0.20%. The target is set to a specific emission defined as the percentage of methane emitted (on volume basis) divided by the total volume of marketed gas. Repsol is a signatory to the international initiative Climate & Clean Air Coalition – Oil & Gas Methane Partnership of the UN Environmental Program since 2016. In 2020, Repsol participated in the launch of the OGMP¹⁶ 2.0 Reporting Framework and reconfirmed its commitment on this new version, which is more focused on reporting and transparency.
 - b. 50% routine flaring emissions reduction (in t CO₂e) by 2025, using a 2018 baseline from Repsol-operated exploration and production assets. In addition, Repsol endorsed the Zero Routine Flaring Initiative by 2030 in 2016.

In the industrial business only, Repsol will invest more than €400 million in energy efficiency during the time span of the Strategic Plan which will allow it to reduce emissions by 800,000 tons of CO₂e at the end of the period and lay the foundation for the transformation of the industrial complexes into net zero emissions facilities.

02. Portfolio transformation:

The Upstream business will focus on key geographic areas and 14 key projects, investing selectively for value over volume, maintaining a 7-8 years' reserve life and focusing on reducing the emissions of its asset portfolio. The business will rely on its strengths such as its flexibility, efficiency and advanced technological level that will allow it to increase its contribution to the Group as a whole and generate positive free cash flow at < 40 USD/ bbl.

¹⁵ From GGFR definition, routine flaring of gas is flaring, or burning, gas during normal oil production operations in the absence of sufficient facilities or amenable geology to re-inject the produced gas, utilize it on-site, or dispatch it to a market. Venting, or the controlled release of unburned gases into the atmosphere, is not an acceptable substitute for flaring.

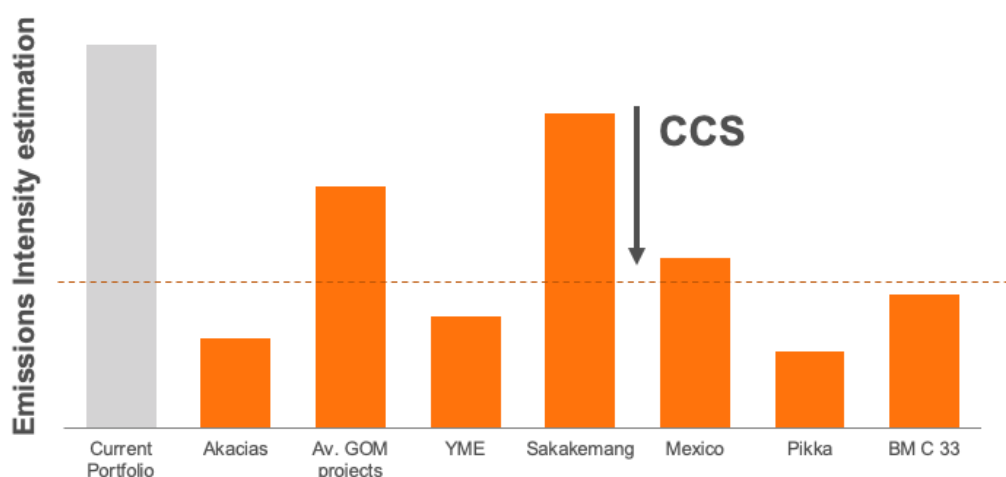
¹⁶ OGMP stands for Oil & Gas Methane Partnership, available [online](#).

New production pushing down emissions intensity

The company will focus on developing self-funded short-cycle projects with flexibility. We have identified USD 6.6 billion (~72% of total E&P capex for the period) in capital expenditure opportunities across our 14 key projects for the 2021-2025 period. The projects are called short-cycle because either they are brownfields (incremental production leveraged by existing infrastructure) or are planned to be developed by phases, in both cases the first production is close to the Final Investment Decision. Over the period of the next strategic plan, Repsol will be reducing the emissions intensity of its E&P assets around of 75%.

Chart #4 New Production will push down emissions intensity

New production pushes down emissions intensity



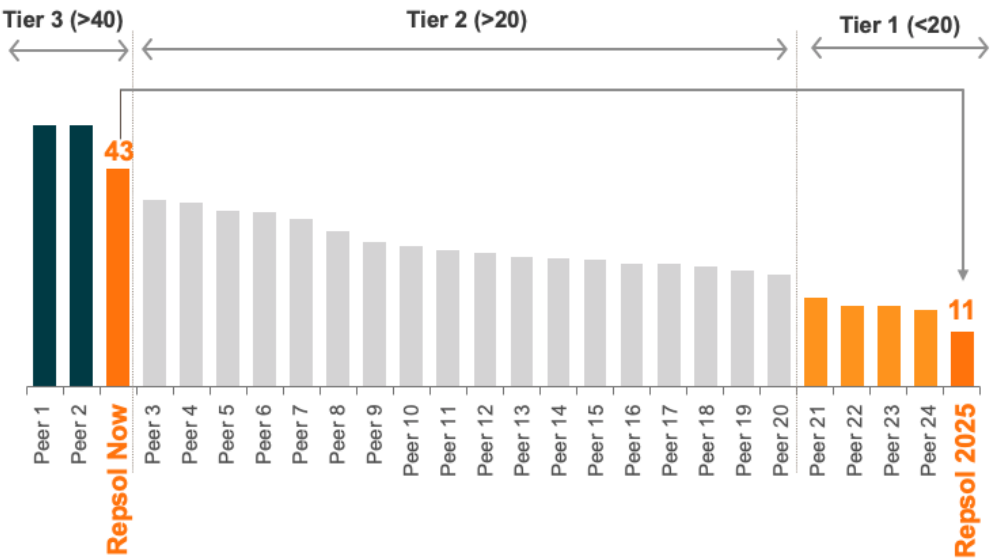
By 2026 Repsol will start the operation of an onshore asset in Indonesia. Due to the high content of CO₂ in the reservoir, Repsol has included a CCS project in the initial design of the asset, as a clear example of our technical capabilities and commitment with the decarbonization path of the company. The project will be able to capture and store 2 Mt CO₂ per year.

By prioritizing value over volume and focusing portfolio management based on short-cycle and less carbon intensive barrels, Repsol aims at becoming tier 1 in terms of kg CO₂e/boe as explain in chart #5. Additionally, over the time span of the plan as a result of the more selective deployment of capital expenditure, production is likely to fall to an average of 650,000 barrels of oil equivalent per day.

Our new production strategy should contribute to a 75% reduction in emission intensity by 2025.

Chart #5 Emissions intensity per barrel produced (kgCO₂/boe)

Source: Wood Mackenzie Emissions Benchmarking Tool)



Decline/exit of carbon intensive and non-core assets

Repsol will focus on key geographic areas and then exit carbon intensive and non-core assets. Therefore, our global presence will be reduced to 14 countries, with a more efficient and focused exploration activity.

Portfolio span reduction: from > 25 to < 14 countries ambition



Related Targets:

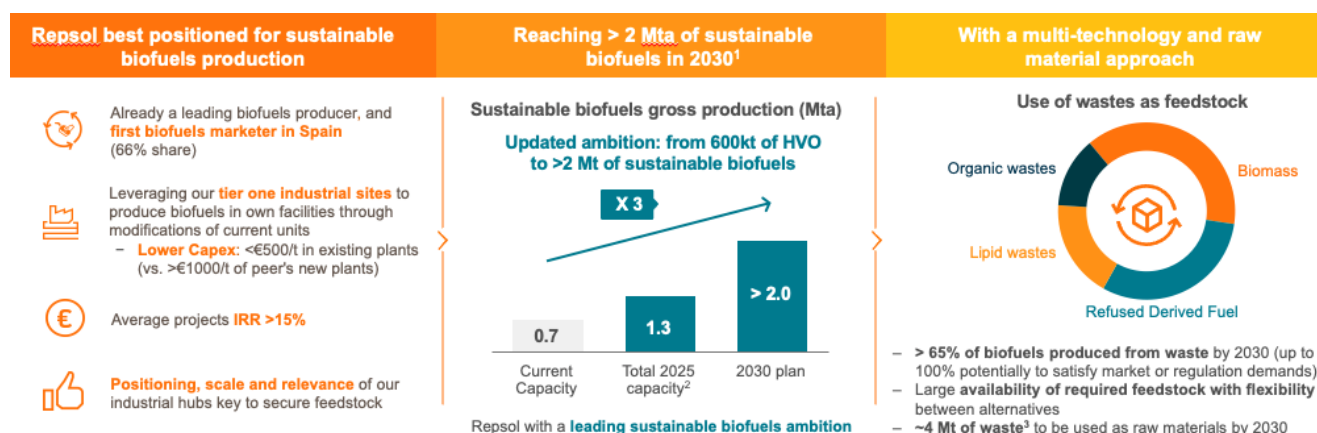
Achieve Tier 1 in terms of kg CO₂/boe for the exploration and production business unit, equivalent to reducing CO₂ emissions by kg CO₂/boe by 75% by 2025, using a 2019 baseline.

03. Low carbon fuels and circular economy:

Low Carbon Fuels

Progressive introduction of low carbon fuels (advanced biofuels and biogas from organic waste, renewable hydrogen, synthetic fuels):

Chart #6: Repsol becoming an advantaged producer of sustainable biofuels

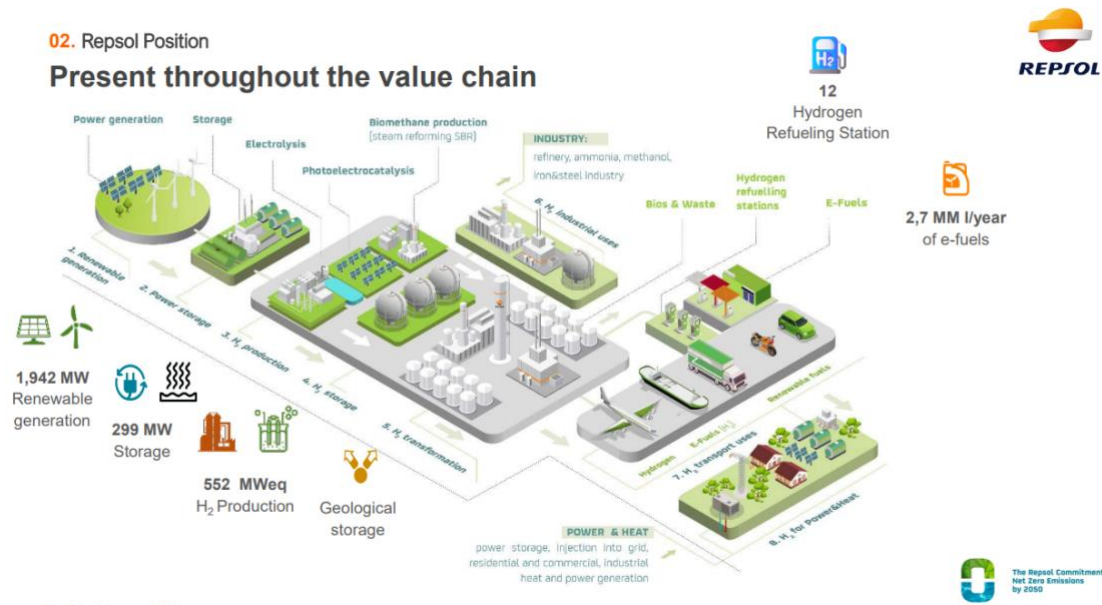


1. Gross volumes 2. Expected capacity of sustainable biofuels by 2025 includes: 700 kt/y from current existing capacity, 250 kt/y capacity from the advanced biofuels plant in Cartagena, 130 kt/y capacity from a gasification plant to produce methanol and ~300 kt/y capacity through modifications in existing units. 3. Gross volume. It includes Repsol's whole circular strategy: biofuels, circular chemical products and plastics and biogas production

Integration of renewable power generation, renewable hydrogen and CCU: As the largest producer and consumer of H₂ in the Iberian Peninsula (the company consumes 72% of the total H₂ produced), Repsol has an advantageous position to maximize value from renewable H₂ production providing a decarbonized fuel for mobility and a clear ambition to become a leader in the renewable hydrogen market in the Iberian Peninsula.

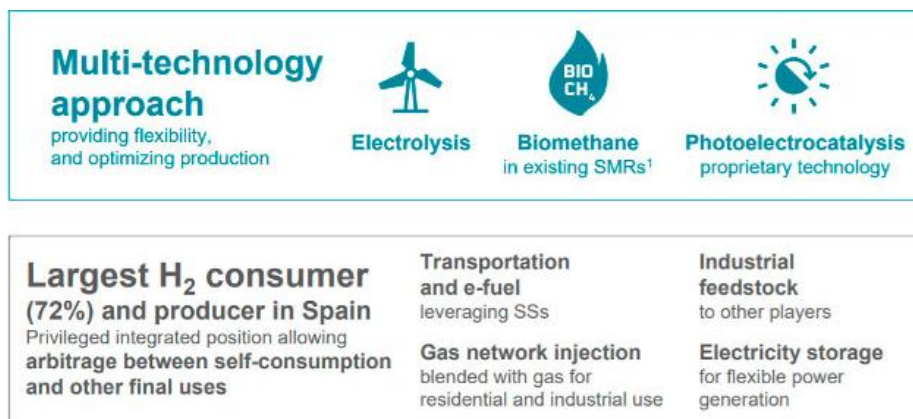
02. Repsol Position

Present throughout the value chain



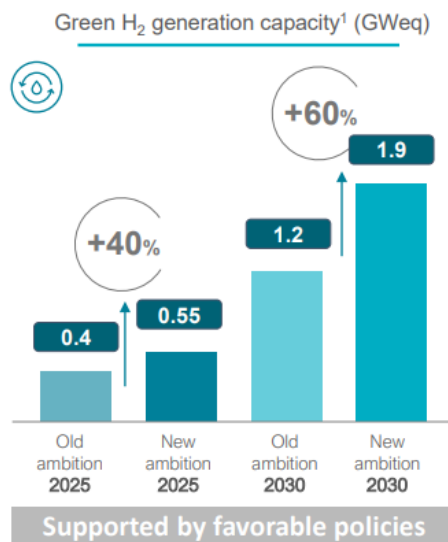
In October 2021, Repsol announced more ambitious targets for renewable hydrogen generation, now aiming to reach a capacity of 0,55 GW equivalent in 2025 and 1.9 GW equivalent in 2030, compared to the previously announced targets of 0,4 GW equivalent and 1.2 GW equivalent, respectively. The achievement of these objectives will be made possible through the installation of electrolyzers and biogas production plants at Repsol's industrial complexes, as well as the development of the proprietary photoelectrocatalysis technology. This technology is a joint development of Repsol and Enagas, and a demonstration plant will be installed at the Puertollano industrial complex in 2025 to obtain hydrogen directly from water using solar energy.

Chart #7: Renewable Hydrogen: Ambition to become a leader in the Iberian Peninsula



1. Steam reformer. 2. Repsol's hydrogen ambition conditioned to access to regulatory changes and availability of EU recovery funds Plan.

3. Considering a ratio of 0.02 t/h per MW and 8,000 hours of operation per year based on Repsol's past projects.



1. Net electrolyzer capacity (GW)

Last January 2021, Repsol announced it joined an international consortium to develop cutting-edge renewable hydrogen technology. The H24All project, has presented an application for European Green Deal funding to develop Europe's first 100 megawatt (MW) alkaline electrolyzer plant which will be connected to a Repsol industrial site.

In 2020, we announced USD 67 million in investments to build one of the largest net zero emissions synthetic fuel production plants in the world, based on renewable hydrogen generated with renewable energy. This plant will be located near our facilities in Bilbao (Spain), using water and CO₂ as the only raw materials. The renewable hydrogen is used to produce synthetic fuels that can be used in the combustion engines that are currently installed in automobiles in Spain and the rest of the world, as well as in airplanes, trucks, and other machinery.

Focus on circular economy:

As an integrated energy company, we actively implement circular economy principles in all the countries where we operate and throughout our entire value chain, from obtaining raw materials to commercializing products and services. We will focus on developing an efficient chemicals business geared towards the circular economy that recycles a higher percentage of its polyolefin production.

Related Targets:

- Repsol is committed to a business that is efficient and oriented towards the circular economy, with the ambition of recycling the equivalent of 20% of the company's polyolefins (plastics) production by 2030.

- Repsol will become a leader in sustainable biofuels, with a production capacity of 1.3 million tons per year by 2025 and of more than 2 million tons per year by 2030.
- Repsol has the ambition to be a leader in renewable hydrogen in the Iberian Peninsula by reaching a production capacity of the equivalent of 0,55 GW by 2025 and 1.9 GW equivalent in 2030.

In this sense, it is worth to mention:

1. The Cartagena advanced biofuels plant, a ~€188 million investment projected to be operational in 2023. The plant will have an annual production capacity of 255,000 tons of HVO and will make it possible to cut CO₂ emissions by 900,000 tons per year)
2. Puertollano Biojet: The Puertollano industrial complex has produced the first 7,000-ton batch of kerosene with bio jet, made with a bio component and that will save 440 tons of CO₂ emissions from being released into the atmosphere.
3. Repsol produces aviation biofuels in Tarragona: It is the second batch of this type produced in Spain. It consists of 10,000 tons of fuel with a bio component for aviation, and it will avoid the emission of 630 tons of CO₂ into the atmosphere, the equivalent of 55 flights between Madrid and Barcelona.
4. Repsol and Talgo will promote a renewable hydrogen-powered train, fostering emission-free rail transport in the Iberian Peninsula.

04. Low carbon power generation:

Repsol has become a relevant player in the Spanish electricity market. Recently announced targets represent a 60% increase in installed renewable generation capacity by 2030, to 20 GW (compared with the 12.7 GW announced in the Strategic Plan). By 2025, the new installed capacity target stands at 6 GW, which compares with 5.2 GW in the roadmap presented in November 2020.

Additionally, in 2019, it surpassed the one million electricity and gas customer mark, in 2020 it represents an increase of 31% since it entered the market in 2018, and it has launched innovative solutions for self-consumption and distributed generation.

Repsol plans to continue the organic growth of this business, thanks to the development of a portfolio of projects in operation and development in OECD countries, reinforced after the joint venture signed with Ibereólica Renovables in Chile in 2020 and the recent acquisition of 40% of US-based Hecate Energy, a company specialized in the development of photovoltaic solar and energy storage projects.

As a result, Repsol currently plans to end the 2021 year with 1.7 GW of installed renewable capacity and another 4.7 GW in projects under construction and with high visibility.

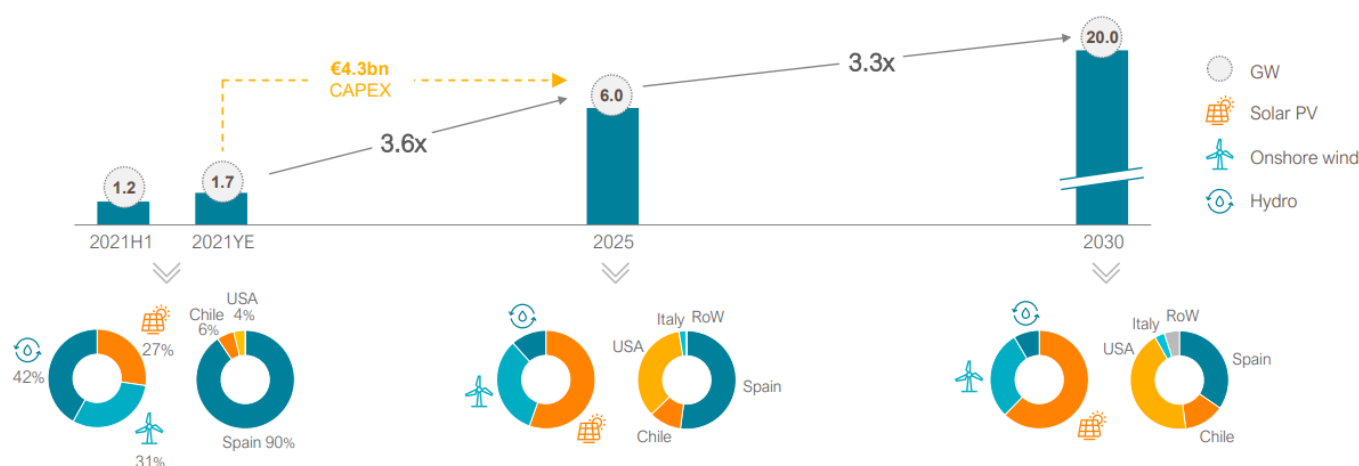
Related Targets:

- Investments in renewable energy generation over the course of the next strategic plan between 2022-2025 will be approximately EUR 4.3 billion.
- On top of everything, Repsol targets an Equity IRR rate with PPA > 10% in its low carbon business.

02. Strategy: Fast-growth sustainable business model



... Repsol was able to update the strategic growth targets



05. Technology breakthroughs and carbon sinks:

Although focused on mitigation, Repsol recognizes that not all emissions can be abated. Where necessary, beyond 2025, Repsol plans to deploy additional levers such as CCUS and natural sinks:

- Carbon capture, usage, and storage (CCUS) applied to our industrial facilities: Repsol wants to be a carbon-neutral company by 2050 and part of its strategy is to prevent the CO₂ emitted by its activities from being released into the atmosphere. Repsol participates in the development of these technologies as a member of the OGCI Climate Investments fund, which to date has taken stakes in companies involved in CCUS processes and actively involved in OGCI's CCUS hubs initiative. To date, Repsol is going to invest EUR 247m in a Sakakemang world-scale CCS project for our Indonesia assets, which has the capacity of capturing 1.5-2MT CO₂ per year.
- Natural carbon sinks, such as forests, soils and wetlands, will make a major contribution to the transition from being a zero-emission business by 2050. To date, Repsol is promoting through the

subsidiary of Repsol Foundation, Repsol Social Impact, investment in large scale reforestation and forest management projects in Spain, Portugal and Latin America. Partnering with Sylvestris, Repsol Social Impact will promote the generation of carbon credits through reforestation projects by planting 70.000ha of forest (60M trees). This is part of the Green Engine initiative that also includes a €100 M Carbon Fund and Voluntary Carbon Market advocacy activities.

To put these new technologies in motion, Repsol will also rely on its Technology Lab, the largest private R&D center in Spain. Repsol is developing projects focusing on solutions that contribute to climate change mitigation (such as hydrogen production without CO₂ emissions, fuel production from waste, carbon capture and use systems, residual heat in industrial processes recovery, and advanced biofuels).

Moreover, with 80% of its investment in energy transition initiatives, the Repsol Ventures Fund focuses on advanced mobility and renewables, low carbon and circular economy, and digital technology for assets optimization, with a current portfolio of 18 start-ups and taking part in OGCI CI Fund. The Repsol Venture Fund has already invested 41.1 mm EUR between 2016 and 2021.

2.4. Climate Governance

Internal carbon pricing: Lastly, Repsol is convinced that setting a **global carbon price** and applying it homogeneously to all sectors is the best tool to assist our decision-making. It would allow the industry as well as the final customer, to see CO₂ impact reflected in pricing, and thus become aware of, and modify habits the production and consumption of energy to become as efficient as possible. This system would also enable the transition to a low-emissions future in an orderly manner and at the lowest cost to the consumer. Repsol's internal carbon price applies to each ton of CO₂ to incentivize investments that reduce emissions in locations where a regulated price does not exist or is lower than our internal price. Starting at US\$25/t in 2018, Repsol improved its ambition in October 2021 to reach US\$60/t by 2025/2030 globally and US\$70/t by 2025 and US\$100/t by 2030 within European Union¹⁷. Additional growth is also being established from that year to \$70/t by 2040 for refining, chemicals and gas and electricity assets, which will favor investments in renewable energy, efficiency, and the circular economy.

¹⁷ Based on EU ETS projections. For other regulated markets that may evolve, a similar methodology would be applied

Capital allocation

- In-house methodology for capex alignment guidance
 - In place since 2021 (as committed Dec.2019)
- **Internal carbon price** (Carbon incentive for new investments)

Baseline Worldwide			European Union*		
2025	2030		2025	2030	2040
60	60	New (\$/t)	70	100	
40	40	Current (\$/t)	40		70

* Based on EU ETS projections. For other regulated markets that may evolve, a similar methodology would be applied



The Repsol Commitment
Net Zero Emissions
by 2050

Climate targets in remuneration

The Company maintains a continuous dialogue on ESG (environmental, social and governance) matters with its main shareholders and proxy advisors, in order to know first-hand their opinion and positioning and to explain the practices of the Company. As a result of this engagement and the resolution passed by the Board of Directors on December 2, 2019 to align the Company with the objectives of the Paris Agreement, the objectives related to sustainability and decarbonization in the 2021 annual variable remuneration of the CEO¹⁸ represent 25% and 40% of the long-term variable remuneration:

a) Annual remuneration: 25% linked to decarbonization and Sustainability:

The following table details the goals, indicators and weightings proposed by the Compensation Committee for the current year, in respect of the CEO's annual variable compensation, and approved by the Board of Directors at its meeting of 17 February 2021.

¹⁸ Director remuneration annual report, available [online](#).

CATEGORY	WEIGHT	METRIC	WEIGHTING
COMPANY PERFORMANCE	50%	Adjusted net Income	17.5%
		Net Income	17.5%
		Net debt and Net Debt/EBITDA CCS	15%
TRANSFORMATION / IMPLEMENTATION OF THE STRATEGY	25%	Implementation of the Company's strategy towards its transformation	
		• Industrial: Progress of energy transition projects	
		• E&P: Focus on efficiency through FCF Breakeven	
		• Customer Centric: focus on the customer, with an impact on the internal organization and operations	
		• Efficiency of the Corporation: Recurring costs	
		• Deployment of the transversal programs of Digitization and Procurement	
		Improvement of the portfolio	10%
DECARBONISATION AND SUSTAINABILITY	25%	Low Carbon generation capacity	10%
		Process Safety Incident Rate (PSIR) = 0.77	7.5%
		Total Accident Frequency Index (1.23) and 0 fatalities	7.5%

b) Long-term Variable Remuneration: Repsol has implemented many long-term incentive plans (LTIs) for **managers and other employees of the Group, including the CEO**, to promote the reciprocal generation of value for the Group, for its shareholders and for its employees; to foster the commitment of its beneficiaries as well as to compensate the creation of sustainable value for shareholders at long-term. These programs are independent of each other, but their main characteristics are the same:

- They are structured in overlapping cycles of 4 years and are linked to the fulfilment of objectives and commitments set out in the Company's Strategic Plan in force at any given time.
- Their objectives are linked to maximizing the Company's value, the performance of Repsol's businesses and sustainability.
- They are linked to their beneficiaries remaining until the end of the measurement period, except under special circumstances that can cause their early settlement.

At its meeting of 17 February 2021, the Board of Directors, at the proposal of the Remuneration Committee, approved the targets, metrics and weights of the Second Long-Term Incentive Cycle for the period 2021- 2024 as indicated below:

CATEGORY	WEIGHT	METRIC	WEIGHTING
DECARBONISATION AND SUSTAINABILITY	40%	Reduction of the Carbon Intensity Index compared to 2016, in line with the SP 21-25 target (12% by 2025)	30%
		Low-carbon generation capacity in line with SP 21-25 commitments (7.5GW in 2025)	10%
PERFORMANCE	30%	Free Cash Flow of the Repsol Group	10%
		Breakeven of the Free Cash Flow of Exploration and Production (\$/bbl)	10%
		Integrated Refining and Marketing Margin vs. comparable companies (Eni, Total, Cepsa, Galp, Saras, OMV, MOL, Neste Oil, Hellenic)	10%
VALUE CREATION	30%	TSR Repsol vs. comparable companies (Total, RD Shell, BP, ENI, OMV, Statoil, GALP, Iberdrola, Naturgy and Endesa)	30%

The linking of the 40% of the long-term variable remuneration of executives and leaders, including the Chief Executive Officer and senior executives, to objectives addressed to comply with the Paris Agreement and, therefore, to the progressive decarbonization of the Company shows the Company's strong commitment to sustainability and its leadership in the energy transition.

Transparency and multi-stakeholder initiatives

Repsol is an active member of the UN Global Compact and the IPIECA¹⁹ Executive Committee. Additionally, the company works in collaboration with other companies directly and through international initiatives including: the Methane Guiding Principles, the Zero Routine Flaring by 2030, the Climate and Clean Air Coalition, the Oil & Gas Methane Partnership and the Oil and Gas Climate Initiative (OGCI²⁰). The purpose of these collaborations is to advocate the use of scope 1, 2 and 3 emissions indicators for the industry, share best practices and technology solutions, participate in the OGCI Climate Investment Fund and work on the definition of sector standards with the Science-Based Target Initiative and Net Zero Standard for Oil & Gas (IIGCC). Since 2020, along with other European peers, Repsol is discussing with Climate Action 100+, Institutional Investors Group on Climate Change and other interested investors the development of a common framework to define the Net Zero concept.

In 2018, we voluntarily adhered to the recommendations established by the Task Force on Climate-related Financial Disclosures (TCFD) initiative. Since 2017, the Integrated Management Report has disclosed information on climate change related risks according to the four pillars of Governance, Strategy, Risk Management, Goals and Metrics.

Lastly, in order to reinforce Repsol's commitment to Sustainability and transparency, Repsol's 2020 Management Report has voluntarily included indicators according to the Sustainability Accounting Standards Board (SASB) metrics alongside Global Reporting Initiative (GRI) standards. To be more specific, Repsol

¹⁹ The International Petroleum Industry Environmental Conservation Association: <https://www.ipieca.org/>

²⁰ oilandgasclimateinitiative.com

has included indicators that cover the Exploration & Production, Refining & Marketing and Chemicals SASB Industry Standards.

Additionally, Repsol has adhered in January 2021 to the Stakeholder Capitalism Metrics initiative, of the World Economic Forum and will integrate core metrics in next management report.

3. Repsol's Transition Financing approach

At Repsol we have a firm and continuous commitment to sustainability as an essential pillar for generating value today and in the future. We believe the issuance of Transition Financing Instruments will support our efforts to be part of the solution and reinforce our commitment towards a low emissions future.

Repsol has designed its financing policy in line with its transition strategy and climate roadmap, embedding all its decarbonization levers that contribute to achieve the ambitious objectives set by the Company. **Only inclusive and flexible transition financing will accelerate the achievement of the decarbonization goals of the Paris Agreement.** Thus, Repsol has developed an overarching transition framework (the "Transition Financing Framework" or the "Framework") making it possible for us to use all the available transition financing instruments in the market to fund our decarbonization levers previously defined: Efficiency, Portfolio Transformation, Low Carbon Fuels & Circularity, Low Carbon Power Generation, Technology Breakthroughs & Carbon Sinks. As transition is a financing thematic that applies to various instruments, this framework allows us to issue in different formats:

(i) **Use of Proceeds Financing Instruments' format** where the proceeds of the financing instruments can be earmarked either to Green Eligible Projects and/or Transition Eligible Projects as defined in the Use of Proceeds section of the Transition Financing Framework.

(ii) **Sustainability-Linked Financing Instruments' format** with General Corporate Purpose financings at Corporate Level where financial or structural characteristics can vary depending on whether the Key Performance Indicator(s) "KPI(s)" reach (or not) the predefined Sustainability Performance Target(s) "SPT(s)" as defined in the Sustainability-Linked Financing section of the Transition Financing Framework.

In other words, this Framework allows Repsol to issue Green (Use of Proceeds) bond/loans, Transition (Use of Proceeds) bond/loans and Transition Sustainability-Linked bonds/loans and other financial instruments.

Repsol's Transition Financing approach



*All Green Eligible projects can be also eligible for Transition Use of Proceeds Financing instruments.

This framework has implemented the four key elements of the Climate Transition Finance Handbook 2020²¹ as published by the International Capital Market Association (ICMA):

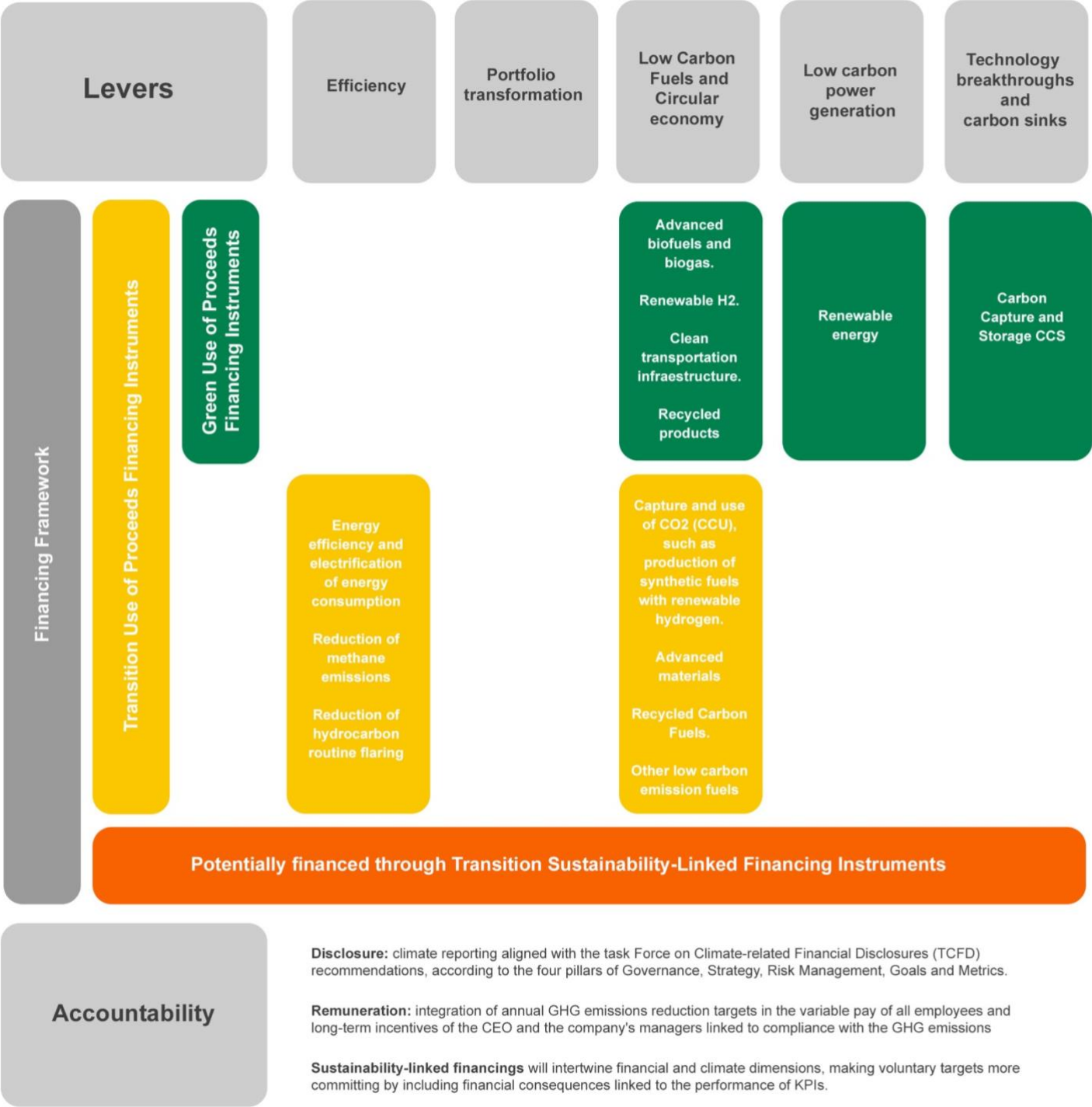
1. Issuer's climate transition strategy and governance;
2. Business model environmental materiality;
3. Climate transition strategy to be 'science-based': including targets and pathways; and,
4. Implementation transparency.

Repsol has a **Sustainable Financing Committee** in charge to select, review, evaluate and monitor the Green Eligible Projects and Transition Eligible Projects financed by **Repsol's Use of Proceeds Financing Instruments**, and to select, review and monitor the Key Performance Indicators (KPIs) and Calibration of Sustainability Performance Targets (SPTs) included at **Repsol's Sustainability-Linked Financing Instruments**, to verify their compliance with the commitments described under the Framework. The committee is chaired by the Financing Director, and includes, among others, the Sustainability Director, the Head of Transition Energy and Climate Change, the Head of Strategy on Sustainability and relevant representatives from the Business and Corporate Divisions.

This overarching Transition Financing Framework is to be considered as an updated and expanded version of Repsol's inaugural Green Bond framework (published in 2017) and will apply to the forthcoming Transition Financing Instruments. The aim of this framework is to provide transparency and disclosure of our Transition Financing Instruments to our investors and lenders, following the industry best market practices and subject to future market development and expectations. Repsol continuously monitors and evaluates the markets and the possible financing alternatives to ensure the most efficient management of its financing strategy in line with both, the Company's Strategic Plan and Global Sustainability Plan constantly updated.

²¹ The Climate Transition Finance Handbook 2020, available [online](#).

Repsol commitment to Net Zero Emissions by 2050, in line with the Paris Agreement



3.1. Use of proceeds financing framework

The Use of Proceeds Financing Instruments section of this framework defines a set of guiding principles for two types of Use of Proceeds Financing Instruments:

- Green Use of Proceeds Financing instruments whereby the funds raised are exclusively allocated to Green Eligible Projects, including but not limited to Green Use of Proceeds bonds/ loans;
- Transition Use of Proceeds Financing instruments whereby the funds raised are allocated to Green and Transition Eligible Projects, including but not limited to Transition Use of Proceeds bonds/loans.

For all Green and Transition Use of Proceeds Financing instruments, Repsol asserts that it will adopt the following pillars as set out in this Framework:

- 1) **Use of Proceeds,**
- 2) **Project Evaluation and Selection,**
- 3) **Management of Proceeds, and**
- 4) **Reporting**
- 5) **External review**

This framework has been developed so that:

- Green Use of Proceeds Financing instruments are in compliance with the Green Bond Principles 2021 (GBP) as published by the International Capital Market Association (ICMA), as well as the Green Loan Principles as published by the Loan Market Association (LMA). Repsol, to the extent feasible, will be aligned with the principles of substantial contribution to climate change mitigation established by the EU Taxonomy and the draft European Green Bond Standard, in order to be aligned with market best practices.
- Transition Use of Proceeds Financing instruments of this Framework have been designed with the aim to funding assets and projects that will contribute significantly to Repsol's transition to net zero emissions by 2050 and / or to Repsol's contribution to economies' energy transition, in consistency with Repsol key decarbonization levers (i.e. including Green Assets/Projects).

3.1.1. Use of Proceeds

An amount equal to the net proceeds of Repsol's Use of Proceeds Financing Instruments will be earmarked to the (re)financing, in whole or in part, of existing or future Green Eligible Projects and/ or Transition Eligible Projects.

In order to be earmarked as eligible the Projects must align with all of the following criteria:

01. Eligible types of Investments

- (i) Capital expenditures and selected operating expenditures (such as maintenance costs that either increase the lifetime or the value of the Assets) of Physical Assets meeting the Eligibility Criteria described in the Use of Proceeds section of the Transition Financing Framework;
- (ii) Research and development ("R&D") expenditures aiming at developing new products and solutions as per the Eligibility Criteria specified in the Use of Proceeds section of the Transition Financing Framework;

02. Lookback period

The net proceeds of each Use of Proceeds Financing instruments will be used to:

- (i) Finance Green Eligible Projects and/or Transition Eligible Projects occurring post issuance of each financing instrument; and/or
- (ii) Refinance disbursements to Green Eligible Projects and/or Transition Eligible Projects initiated up to 3 years prior to the year of execution of any Use of Proceeds Financing' issuance.

03. Green/Transition Eligible Projects Categories and Eligibility Criteria

Green Eligible Projects and Transition Eligible Projects are projects supporting the transition to a low-carbon economy in direct link with Repsol's Climate Roadmap as described in the first section of the Transition Financing Framework. In order to ensure that all Green and Transition Eligible Projects provide environmental benefits and that all Transition Eligible Projects are contributors to Repsol's transition levers to achieve net zero emissions by 2050, they must fall into and comply with at least one of the following Project Categories and Eligibility Criteria respectively.

For the avoidance of doubt, all Green Eligible Projects can be also eligible for Transition Use of Proceeds Financing instruments

Repsol Transition Financing Framework

March 2022



Type of UOP	Decarbonization lever	Project Category	Eligibility Criteria	Environmental Objectives	Alignment with the UN SDG targets ²²	
Transition	Green	Low-carbon power generation	Renewable energy	Development, acquisition, construction, installation and maintenance of renewable power plants, generating energy using - wind power: onshore and offshore - solar power: Photovoltaic Solar Power - hydroelectric power	Climate change mitigation: Avoidance and reduction of Greenhouse gas emissions (GHG)	SDG 7.2: By 2030, increase substantially the share of renewable energy in the global energy mix SDG 13.2: Integrate climate change measures into national policies, strategies and planning
		Low-carbon Fuels and Circular Economy	Biofuels and biogas	Production, distribution and refining of biofuels: Biofuels and biogas, including hydrogen from biological origin, compliant with the sustainability and greenhouse gas emissions savings criteria laid down Article 29 of the EU renewable Energy Directive (2018/2001/EU).	Climate change mitigation: Avoidance and reduction of Greenhouse gas emissions (GHG)	SDG 7.2: By 2030, increase substantially the share of renewable energy in the global energy mix SDG 13.2: Integrate climate change measures into national policies, strategies and planning SDG 9.5: Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending
Transition	Green	Low-carbon Fuels and Circular Economy	Clean transportation	Development, construction and installation of projects contributing directly or indirectly to a reduction of CO ₂ emissions or energy consumption per km-passenger: - Infrastructure: electric charging points, station network and hydrogen fueling stations	Climate change mitigation: Avoidance and reduction of Greenhouse gas emissions (GHG)	SDG 7.1: By 2030, ensure universal access to affordable, reliable and modern energy services SDG 11.2: By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport SDG 13.2: Integrate climate change measures into national policies, strategies and planning

²² UN Sustainable Development Goals, available [online](#).

Repsol Transition Financing Framework

March 2022



Transition	Green	Low-carbon Fuels and Circular Economy	Hydrogen from Renewable Energy	Manufacture of hydrogen from electrolysis using renewable electricity, biogas and bioliquid reforming and photo-electrocatalysis with solar energy.	Climate change mitigation: Avoidance and reduction of Greenhouse gas emissions (GHG)	SDG 7.2: By 2030, increase substantially the share of renewable energy in the global energy mix SDG 13.2: Integrate climate change measures into national policies, strategies and planning SDG 9.5: Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending
		Technology breakthroughs	Carbon Capture and Storage (CCS)	Development, construction, installation and maintenance of projects of capture and storage of CO₂ DACCS: Direct air capture and storage.	Climate change mitigation: Reduction of Greenhouse gas emissions (GHG)	SDG 9.5: Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending SDG 13.2: Integrate climate change measures into national policies, strategies and planning
Transition	Green	Circular economy		Recycled products: increased recycled content in chemical products. - Plastics manufactured by mechanical recycling of plastic waste - Plastics manufactured by chemical recycling of plastic waste and the life-cycle GHG emissions of the manufactured plastic, excluding any calculated benefit from the production of fuels, are lower than the life-cycle GHG emissions of the equivalent primary plastic manufactured from fossil fuel feedstock, including end of life of plastic in the scope. - Manufacture of plastics shall be derived wholly or partially from renewable feedstock and its life-cycle GHG emissions that are lower than the life-cycle GHG emissions of the equivalent plastics in primary form manufactured from fossil fuel feedstock	Climate change mitigation: Reduction of Greenhouse gas emissions (GHG)	SDG12.2 By 2030, achieve the sustainable management and efficient use of natural resources SDG 12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse

Repsol Transition Financing Framework

March 2022



Transition	Efficiency	Energy efficiency Implementation of energy efficiency plans to our upstream and downstream processes such as: investments to monitor and mitigate methane and flaring emissions, including: • Vapor recovery units • Leak detection and repair Investments to improve energy efficiency of production processes: • Residual heat recovery • Furnace modifications • Steam consumption optimization • Electrifying equipment	Climate change mitigation: Reduction of Greenhouse gas emissions (GHG)	SDG 7.3: By 2030, double the global rate of improvement in energy efficiency
	Low-carbon Fuels and Circular Economy	Carbon, capture and utilization (CCU) • Development, construction, installation and maintenance of projects of capture and use of CO₂, such as production of e-fuels with renewable hydrogen and production of other non-fuel products.	Climate change mitigation: Reduction of Greenhouse gas emissions (GHG)	SDG 9.5: Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending SDG 13.2: Integrate climate change measures into national policies, strategies and planning
	Low-carbon Fuels and Circular Economy	Recycled Carbon Fuels • Production, distribution and refining of recycled carbon fuels means liquid and gaseous fuels that are produced from liquid or solid waste streams of non-renewable origin which are not suitable for material recovery in accordance with Article 4 of Directive 2008/98/EC, or from waste processing gas and exhaust gas of non-renewable origin which are produced as an unavoidable and unintentional consequence of the production process in industrial installations. They shall be compliant with the minimum thresholds for greenhouse gas emissions savings as established in Directive 2018/2001/EU.	Climate change mitigation: Avoidance and reduction of Greenhouse gas emissions (GHG)	SDG 12.2 By 2030, achieve the sustainable management and efficient use of natural resources SDG 12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse SDG 13.2: Integrate climate change measures into national policies, strategies and planning
	Low carbon emission fuels	Renewable Transport Fuels of non-biological origin • Production, distribution and refining of renewable transport fuels of non-biological origin complying with the requirements set in the Directive 2018/2001/EU (RED II): 'renewable liquid and gaseous transport fuels of non-biological origin' means liquid or gaseous fuels which are used in the transport sector other than biofuels or biogas, the energy content of which is derived from renewable sources other than biomass;	Climate change mitigation: Avoidance and reduction of Greenhouse gas emissions (GHG)	SDG 13.2: Integrate climate change measures into national policies, strategies and planning.



Transition	Circular economy	Chemical products	Advanced materials for:		SDG 7.3: By 2030, double the global rate of improvement in energy efficiency
			- energy transitions applications such as: energy efficiency (isolation), electrification (cables), energy storage (batteries). - medical/sanitary applications such as materials for light packaging and for packaging medicines with very low content of impurities.	Climate change mitigation: Avoidance and reduction of Greenhouse gas emissions (GHG)	SDG12.2: By 2030, achieve the sustainable management and efficient use of natural resources SDG 12.5: By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse

3.1.2. Process for Evaluation and Selection of projects

Repsol is committed to ensure the responsible management of all of its activities through the integration of ESG criteria, across the business according to its Sustainability Policy. All of our activities are under the purview of our Sustainability Model, which is designed to prevent harm to people, assets and the environment.

Environmental and Social Risk Management

01. Social risk management

Repsol is committed to respecting human rights. We comply with the United Nations Guiding Principles on Business and Human Rights, focusing on the proactive management of risks, impacts and opportunities, and committing to a preventative and permanent dialogue with local communities. Our Community Relations and Human Rights Management Framework integrates best practices including the IFC Performance Standards and OECD Guidelines. This is operationalized through local teams at country level for Human Rights and Community Relation, and Community Grievance Mechanisms for all of our projects. Repsol is also a signatory of the Voluntary Principles on Security and Human Rights with the aim of ensuring the security of its operations in sensitive or conflict zones, through working procedures implemented at project level that guarantee respect for human rights.

We have mechanisms in place to help us work with due diligence in the area of human rights. We've had a specific internal policy on human rights since 2013. The assessment regulations are especially important in ensuring that human rights risks are identified throughout the life cycle of our projects, from design to dismantling. According to the United Nations Guiding Principles, due diligence is the process that helps us assess the real and potential effects of our activities at project level. In accordance with due diligence, we analyze the context and specific social, economic, and cultural aspects in the countries where we operate, we assess our impacts, and we work under the commitment to maximize positive consequences while minimizing or mitigating the negative ones²³.

In 100% of the assets operated, there are participation strategies with local communities that materialize in local development projects. 100% of the impact evaluations carried out in 2020 included social and human rights aspects. In each project, the level of consent of the indigenous organizations is verified and, if not, both the potential impacts and the convenience of continuing with the project are evaluated in the Company's Executive Committee.

²³ Repsol's web page Human Rights, available [online](#).

02. Environmental risk assessment

Repsol's priority is to minimize the environmental impact of its activities by optimizing water management, air emissions, waste management, spill prevention and response and the preservation of biodiversity. Our environmental management system is certified according to ISO 14001 and includes external and internal audits, as well as continuous monitoring and measurement of environmental performance²⁴. We set targets for continuous improvement of environmental and social risk management. The 2025 Safety and Environment Strategy establishes the levers on which we will focus our environmental efforts up to 2025: we must be able to quantify and assess environmental impacts and dependencies at project level in order to back business decisions, placing the emphasis on more sensitive aspects wherever we operate, particularly water²⁵.

Repsol also integrates energy and carbon management in its business model and risk management system, given that climate change is a key factor for the strategic decision-making process. In order to determine exposure to climate change risks and in the absence of a standard in the sector, Repsol has developed its own risk analysis methodology, extending the typical five-year horizon of a strategic planning cycle, to cover the longer-term risks with greater levels of uncertainty, including the systematic integration into all investment decisions of a carbon price as emphasized in the section Repsol's transition levers of this Framework²⁶.

03. Project Selection Process

The process of evaluation and selection of Green Eligible Projects and Transition Eligible Projects is performed as follows:

1. The potential Green Eligible Projects and Transition Eligible Projects are proposed by the Technical Management in the facility according to their alignment with the Eligibility Criteria defined above.
2. The investment in the Green Eligible Projects and Transition Eligible Projects is approved at the corresponding management Level according to the internal authorization procedure. Management will also ensure that all of Repsol's standard environmental and social risk management practices have been followed.
3. The Sustainable Financing Committee evaluates the contribution of the projects proposed to the Environmental Objectives and/or Transition levers to be classified as Green Eligible Projects and Transition Eligible Projects and approves them for allocation.

On biannual basis, the Sustainable Financing Committee will review the allocation of the proceeds to the Green Eligible Projects and Transition Eligible Projects and determine if any changes are necessary.

²⁴ Repsol's web page Safety and the environment, available [online](#).

²⁵ Repsol's web page Environment, available [online](#).

²⁶ Repsol Climate Roadmap, available [online](#).

3.1.3. Management of Proceeds

The net proceeds will be allocated to the new projects and / or refinancing of existing projects identified under the use of proceeds section above. Pending the full allocation to Green Eligible Projects and Transition Eligible Projects, Repsol commits to hold the balance of net proceeds not already allocated to Green Eligible Projects and Transition Eligible Projects invested in cash, cash equivalent, bank accounts/deposits and/or in monetary funds managed by the company's Treasury, following the financial and risks internal policy of the Group.

Repsol has set up internal procedures to track the use of proceeds of its Green and/or Transition Financings and has established a register to monitor the Green Eligible Projects and Transition Eligible Projects.

In case of asset divestment or cancellation of a project, Repsol will re-allocate proceeds to finance other Eligible Green Projects and Transition Eligible Projects, compliant with the current Framework. Repsol will aim to fully allocate the proceeds of any Use of Proceeds Financing instruments issuance within 36 months.

3.1.4. Reporting

Repsol will provide information, for each transaction, on the allocation of the net proceeds of its Green and/or Transition Financings on its website within the first 12 months of each financial year-end after the completion of the external assurance and until all the net proceeds have been allocated. The report will cover both allocation and impact reporting for each project category.

Allocation Reporting

The allocation reporting will provide:

- Confirmation that the Use of Proceeds of each Green Use of Proceeds Financing instruments and Transition Use of Proceeds instruments complies with this Framework;
- Total amount of Green and Transition Bond proceeds allocated to Eligible Projects
- The proceeds allocation in respect of the Eligible Projects for each category and the breakdown by geographical region on an aggregate basis by year of implementation;
- Share of refinancing and financing proceeds;
- The remaining balance of unallocated proceeds.

Impact Reporting

Repsol will make its best effort to report annually on adequate relevant impact metrics for monitoring the projects financed on an aggregate basis at Project Category level. The relevant metrics could include:

Type of Project Category		Project Category	Impact Reporting Metrics
Transition	Green	Renewable Energy	- Renewable energy produced (MWh) - Renewable energy capacity (MW) - GHG emissions avoided / reduced (tCO₂e)
		Biofuels	- Biofuels production (t/y) - Biofuels production capacity (t) - GHG emissions avoided / reduced (tCO₂e)
		Clean Transportation	- Number of charging stations - Estimated GHG emissions avoided / reduced (tCO₂e)
		Renewable hydrogen	- Renewable generation capacity (MWeq)
		CCS	- GHG emissions avoided / reduced (tCO₂e)
		Circular economy	- Recycled polyolefines recycled (tons) - Circular polyolefines (tons) - Recycled feedstock (tons)
Transition		Energy Efficiency	- GHG emissions avoided / reduced (tCO₂e)
		Carbon, capture and utilization (CCU)	- GHG emissions avoided / reduced (tCO₂e)
		Recycled Carbon Fuels	- Biofuels production (t/y) - Biofuels production capacity (t) - GHG emissions avoided / reduced (tCO₂e)
		Low carbon emission fuels	- Biofuels production (t/y) - Biofuels production capacity (t) - GHG emissions avoided / reduced (tCO₂e)
		Chemical products	- Advanced chemical products (ton)

3.2. Sustainability Linked Financing Framework

This Sustainability-Linked Financing Framework defines a set of guiding principles for financing instruments linked to the achievement of material, quantitative, pre-determined, ambitious, regularly monitored and externally verified sustainability (ESG) objectives through Key Performance Indicators “KPIs” and Sustainability Performance Targets (“SPT”), with no specific dedicated Use-of-Proceeds.

Repsol has designed this Sustainability-Linked Financing Framework in compliance with the Sustainability-Linked Bond Principles 2020 (GBP) as published by the International Capital Market Association (ICMA), as well as the Sustainability-Linked Loan Principles 2021 as published by the Loan Market Association (LMA), in order to align with market best practices.

For all Sustainability-Linked Financings, Repsol asserts that it will adopt the following as set out in this Framework:

- 1) **Selection of Key Performance Indicators (KPIs)**
- 2) **Calibration of Sustainability Performance Targets (SPTs)**
- 3) **Bond/loan characteristics**
- 4) **Reporting**
- 5) **Verification**

3.2.1. Selection of Key Performance Indicators (KPIs)

Repsol will incorporate the following KPI in future sustainability-linked financing transactions.

- KPI 1: Greenhouse gas emissions intensity, g CO₂e/MJ (scope 1,2 and 3)²⁷

The KPI is:

- (i) Relevant, core and material to Repsol's overall business, and of high strategic significance to our current and/or future operations:
 - It embodies Repsol's position on climate change, in its role as an energy company that fulfils society's energy needs with as few emissions as possible.
 - It encompasses not only the emissions of Repsol's operations, but also the emissions of the energy products (that would come from Repsol's primary energy production) used worldwide by Repsol's customers (Scope 1, 2 and 3).
 - It measures the results of Repsol's efforts to get to net zero emissions by 2050, and acts as a key performance indicator to monitor progress towards that target.

²⁷ Carbon Intensity Indicator, available [online](#).

- (ii) Measurable or quantifiable on a consistent methodological basis, as further explained below.
- (iii) Externally verifiable by Repsol's independent auditor and able to be benchmarked with Repsol's own performance (since 2016).

The accurate and transparent calculation of our greenhouse gas inventory is a critical input for our roadmap to reach net zero emissions by 2050. Repsol's direct and indirect emissions are subject to verification under EU-ETS and the international standard ISO 14064-1.

Definition Repsol's carbon intensity indicator (CII) measures the CO₂e emissions for every unit of energy that the company makes available to society.

Units gCO₂e/MJ

The Carbon Intensity Indicator covers the emissions derived from the Company's activity and emissions associated with the **use of fuel products derived from primary energy production** (oil, and natural gas).

Scope GHG Emissions deriving from Repsol's activity covers direct and indirect emissions derived from:

- Upstream activities: exploration and production.
- Downstream activities: refining and chemicals operations.
- Low-emission power generation.
- And excludes third party (purchased) products.

Calculated according to the GHG Kyoto, the indicator is calculated as the quotient of two values:

Method

• **Numerator:**

1. Operational Scope 1 + 2: The direct (scope 1) and indirect emissions (scope 2) from Exploration & Production operated businesses world-wide, from Refining and Chemical industrial complexes in Spain, Portugal and Peru and from low-emission power generation.

2. Scope 3 O&G E&P based: The emissions associated with the use of products coming from Repsol's oil and gas production (scope 3)²⁸ including:

- The emissions from products that would be obtained in our Refining and Chemical processes from our oil production
- All of the emissions from the combustion of natural gas production, regardless of their final use

²⁸ including JV with majority stakes.

Method	- Emissions from third-party hydrogen plants that supply our controlled refineries. Thus, they are treated in the same way for the purposes of emissions as our own hydrogen plants, because this component is essential to produce our fuels.
	3. Location-based Emissions shift: Avoided emissions from our low-carbon power generation assets and low carbon fuels.
	4. Carbon sinks: Avoided emissions if levers such as Carbon Capture, Use and Storage (CCUS) or Natural Climate Solutions (NCS) are implemented.
	For the denominator: 1. Energy Products: Energy relating to Repsol's oil and gas production in the E&P business. 2. Non Energy Products: Energy from the products obtained in our average Refining and Chemicals processes for oil case and all energy contained in the natural gas production. Chemical products are considered carbon sinks and, although they are not strictly energy products, the energy contained in the equivalent oil (that would be produced by Repsol) used to produce them is counted. The same applies for other non-fuel products, such as lubricants, asphalts. 3. Low Carbon Energy Sources: Energy from renewable (solar, wind, hydropower) and non-renewable (combined cycle gas turbines and surplus from natural gas cogeneration) power generation sources.

Baseline	2016 has been established as the base year, since it is the first year in which all Talisman Legacy's assets are consolidated. Consequently, this is the date from which the impact of the Repsol's actions can be quantified.
	The scope of this baseline has been limited to Exploration and Production (E&P), Refining Spain, Chemicals and Refining Peru. The base case does not include new low carbon businesses, which have been included from year 2019.

Historical data	2016 (baseline)	2020
	<i>Carbon Intensity Indicator (g CO_{2e}/MJ)</i>	<i>77.7</i>
		<i>73.8</i>

3.2.2. Sustainability Performance Targets (SPT)

The Sustainability Performance Targets (SPTs) will be set in line with Repsol's Climate Roadmap outlined at the beginning of the Framework, which aim to reach Net Zero emissions by 2050 with the following intermediary steps:

KPI 1: Greenhouse gas intensity, Scope 1-3

- SPT 1: 15% reduction of carbon intensity indicator (scope 1, 2 and 3) by 2025 against a 2016 baseline.
- SPT 2: 28% reduction of carbon intensity indicator (scope 1, 2 and 3) by 2030 against a 2016 baseline.
- SPT 3: 55% reduction of carbon intensity indicator (scope 1, 2 and 3) by 2040 against a 2016 baseline.

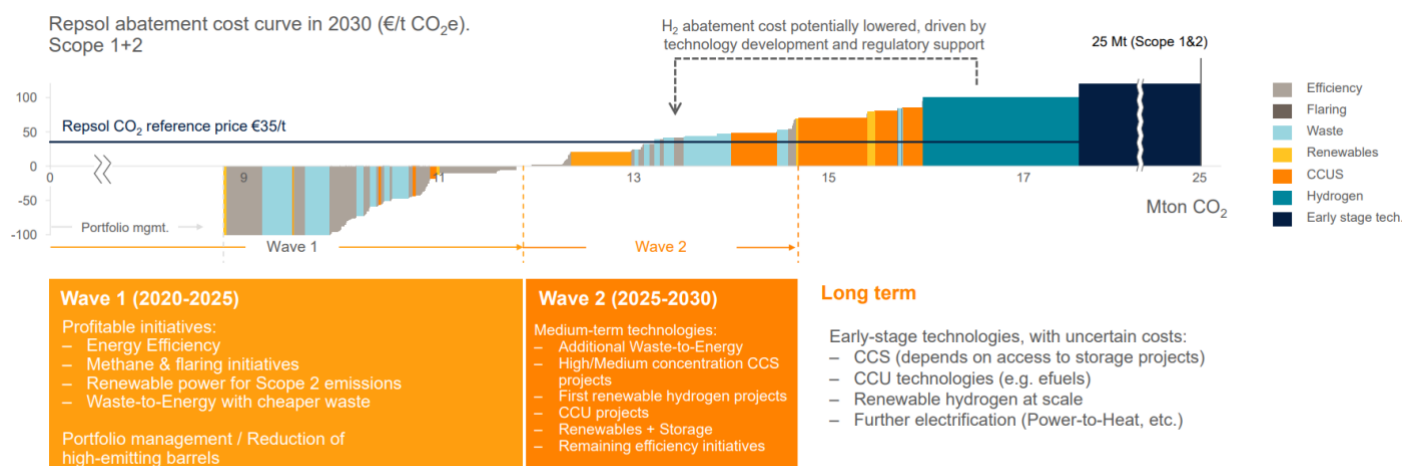
The number of SPTs will vary depending on the maturity of the Sustainability-Linked Financing instrument.

The respective decreases for SPT 1, 2, and 3 equal to a significant amount of carbon abatement that will enable Repsol to reach net zero emissions by 2050. To reduce the carbon intensity of our businesses we will rely on the 5 levers presented in §2.3 (Repsol's transition decarbonization levers). The various initiatives have already been identified and prioritized according to a scope 1+2 "abatement curve" study, as presented below in chart #8. The first (2020-2025) action plan has already been presented in detail in November 2020 within Repsol's strategic plan. The targets were increased in October 2021 as a result of the favorable regulatory environment and technological breakthroughs in hydrogen technologies, renewable electricity, and storage.

Based on current available and medium-term technologies Repsol already identified actions to decrease its CII by 80% to 90%. The remainder is subject to breakthrough early stage technologies (with uncertain cost) in which Repsol is investing heavily through its Technology Lab and its Venture Fund for instance.

Repsol's ambition to achieve net zero emissions by 2050 entails directing all of its 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.

Chart #8: Pipeline of initiatives prioritized through the abatement curve



Note: High level estimation based on Repsol identified initiatives + benchmarks; Source: Repsol

While carrying out a meaningful comparison between the carbon intensity targets of oil and gas companies is a complex exercise due to differences in calculation methodologies, scopes and baselines, and the lack of market-wide methodology. Repsol believes that, with its goal of achieving net zero emissions by 2050 and the interim targets on the CII, it has set an SPT that address the challenges of the industry.

Factors that support and/or might put at risk the achievement of the Targets are disclosed in the relevant documentation of the sustainability-linked transactions, according to applicable regulation.

The Sustainable Financing Committee has committed to select, review and monitor the Key Performance Indicators (KPIs) and Calibration of Sustainability Performance Targets (SPTs) set at this framework.

The external review provider has also confirmed the relevant, robustness, and reliability of the selected KPIs, the rationale and level of ambition of the SPTs, and the credibility of Repsol's strategy to meet the SPTs.

3.2.3. Characteristics of Sustainability-Linked Instruments

For the avoidance of doubt, unless otherwise stated, the proceeds of any Sustainability-Linked Financings will be used for general corporate purposes. Repsol will assign structural and/or financial implications to the non-achievement of the SPT in the legal documentation of any Sustainability-Linked Financing. These implications could include, but are not limited to, a coupon step-up or increased redemption fee. Any structural and/or structural characteristics will be commensurate and meaningful relative to the original financing's financial characteristics.

The exact mechanism and impacts of the achievement or failure to reach the pre-defined SPTs will be detailed for each bond at the legal documentation where relevant. Such documents will detail the KPI definition, calculation methodologies, SPTs and trigger events, financial/structural characteristic variation mechanisms, as well as where needed any fallback mechanisms in case the SPTs cannot be calculated or observed in a satisfactory manner, and language to take into consideration potential exceptional events or extreme events, including drastic changes in the regulatory environment that could substantially impact the calculation of the KPI or the restatement of the SPT. Where relevant, Repsol may include potential exceptional events that could substantially impact the calculation of the KPI and SPT in the legal documentation of the Sustainability-linked financing.

Any future Sustainability-Linked Bonds ("SLBs") with the same KPI(s) and SPT Observation Date must utilize an SPT of equal or greater climate ambition. In addition, at the issuance of such an SLB, any outstanding SLBs would have their equivalent SPT adjusted to reflect the greater ambition for three key reasons:

1. To enable the increase of ambition over time, and allow Repsol to adapt to new circumstances
2. To avoid the coexistence of SLBs with different SPTs at the same dates
3. To facilitate the reporting exercise – avoiding the need to validate the KPI against multiple targets

For the avoidance of doubt, the financial implications cannot be applied more than one time over the life of a given Sustainability-Linked transaction.

3.2.4. Reporting

On an annual basis, Repsol will disclose performance on the KPI until the achievement of the selected SPT. This reporting will be made available within twelve months of each financial year end and could include information, on an aggregated basis, of the products and/or activities range/mix as evolution drivers of the KPI.

For each SPT, the company will disclose within the Sustainability-Linked Financing's legal documentation the following:

- A Target Observation Date, where the company's performance of each KPI against the predefined SPT will be observed
- A Notification Date, where the company will report on the performance according to the SPT.

Repsol will report on the performance of each KPI against the predefined SPT within twelve months from the Target Observation Date.

3.2.5. Verification

Verification of the annual performance on the KPIs will be conducted to a limited assurance by the company's external auditor under the ISAE 3000 and disclosed within twelve months of each financial year end

The company's external auditor will provide to bondholders a report with limited assurance at the Reference Date, confirming the performance against the SPTs and the related impact, the timing of such impact, on the bond's financial characteristics. This verification report will be disclosed within twelve months of each financial year end.

3.3. External review

Second Party opinion

Repsol has obtained a Second Party Opinion from ISS ESG to evaluate the Transition Financing Framework, its transparency and governance as well as its alignment with the Climate Transition Finance Handbook 2020, the Green Bond Principles 2021, Green Loan Principles 2021, the Sustainability-Linked Bond Principles 2020, and the Sustainability-Linked Loan Principles as applicable, published by ICMA / LMA.

Amendments to this Framework

Repsol will review this Framework from time to time, including its alignment to updated versions of the relevant principles as and when they are released, with the aim of adhering to best practices in the market. Repsol will also review this Framework in case of material changes in the perimeter, methodology, and in particular the KPI and/or the SPT's calibration. Such review may result in this Framework being updated and amended.

The updates, if not minor in nature, will be subject to the prior approval of the second party opinion provider or any such other qualified provider of second party opinion. Any future updated version of this Framework that may exist will either keep or improve the current levels of transparency and reporting disclosures, including the corresponding review by an External Verifier. The updated Framework, if any, will be published on Repsol's website and will replace this Framework.

Acronyms

CII	Carbon Intensity Indicator (Repsol's indicator).
IPCC	Intergovernmental Panel on Climate Change.
CO₂	Carbon dioxide.
CO₂e	Carbon dioxide equivalent: the number of metric tons of CO ₂ emissions.

Glossary

Net Zero Emissions	According to IPCC, Net zero emissions are achieved when anthropogenic emissions of greenhouse gases to the atmosphere are balanced by anthropogenic removals over a specified period. For details, see here .
Scope 1 emissions	According GHG protocol: direct emissions from owned or controlled sources.

Scope 2 emissions

According GHG protocol:
indirect emissions from the generation of purchased energy from third parties.

Scope 3 emissions

According GHG protocol:
all other indirect emissions (not included in scope 2) that occur in the value chain, including both upstream and downstream emissions (Third-party emissions). There are 15 different categories of which the most significant concerns to category 11 relating to third-party use of sold products and category 1 relating to emissions from hydrogen plants operated by third parties.