



REPORT ON THE COMPANY'S ENERGY TRANSITION AMBITION AND STRATEGY AND ITS RELATED OBJECTIVES

1. INTRODUCTION

For more than a decade, Repsol has maintained an active dialogue on environmental, social, and governance (ESG) issues with institutional investors, proxy advisors and other stakeholders to learn first-hand their opinion and position on these issues and explain the Company practices.

Moreover, Repsol is committed to constantly adapting its corporate governance practices to the highest international standards.

Within this framework of dialogue with our shareholders, including, among others, the Climate Action 100+ initiative –which brings together 615 investors with more than \$65 trillion under management—, it has been resolved to submit the energy transition strategy¹ of Repsol to the advisory vote in its Annual General Meeting. During the last few weeks, Repsol has held meetings with several of its main institutional shareholders to review its corporate governance practices as well as to receive feedback on the proposals to be submitted to the Annual General Meeting. The submission of the energy transition strategy to an advisory vote of the shareholders has been at the forefront of these meetings and has received very positive feedback.

This vote does not replace the Board of Director's responsibility for establishing the Company's strategy, which, in accordance with the internal regulations and applicable legislation, falls under its own competences. The outcome of the vote will also be specifically monitored by the Board of Directors.

The Company will report on an annual basis, through the Integrated Management Report, on the terms and implementation of its energy transition strategy and plans for decarbonisation towards Net Zero Emissions, in accordance with the Final Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), accounting for (i) any material update required to ensure that this strategy remains consistent with the Paris Goals; (ii) its latest short (2025), medium (2030) and long (2050) term greenhouse gas emissions reduction targets and projections, covering its operational emissions and those derived from the use of its products (scopes 1, 2, and 3), both in absolute and in intensity terms; and (iii) the share of capex allocated to decarbonisation and low-carbon activities in accordance with its stated strategy.

¹ Which the Board of Directors believes to be consistent with the Paris Goals, as benchmark scenarios to limit the global temperature have been envisaged, including that in which global warming would be limited to 1.5°C above pre-industrial levels, as described in the [2021 Integrated Management Report](#).



Likewise, the Company commits to submitting its energy transition strategy to the advisory vote of the Annual General Meeting when updated, or in the event of any significant change with regard to the energy transition strategy or its related objectives.

Both this summary and the more detailed chapter 6.1 of the [Integrated Management Report](#) are structured around the four pillars recommended by the TCFD (Governance; Climate Change Risks and Opportunities; Climate Strategy; and Metrics and Targets).

2. VISION OF THE ENERGY TRANSITION

Energy plays a key role in enabling progress and improving society's wellbeing. Technology and entrepreneurship have led us today to have access to safe and affordable energy in much of the world, but its production and use are responsible for 75% of global CO₂ emissions and more than two-thirds of all greenhouse gas emissions. Therefore, our industry must meet the challenge of climate change while ensuring a reliable, affordable, and competitive energy supply.

At Repsol, we want to be an active part of the solution to climate change while supplying the energy that society needs in a safe, sustainable, and efficient way. Our commitment to energy transition is in accordance with the objectives of the Paris and Glasgow summits, and with the UN Sustainable Development Goals. We have been supporting the 2030 Agenda for Sustainable Development since its approval in 2015 and we work to contribute towards it from all organisational levels of the Company.

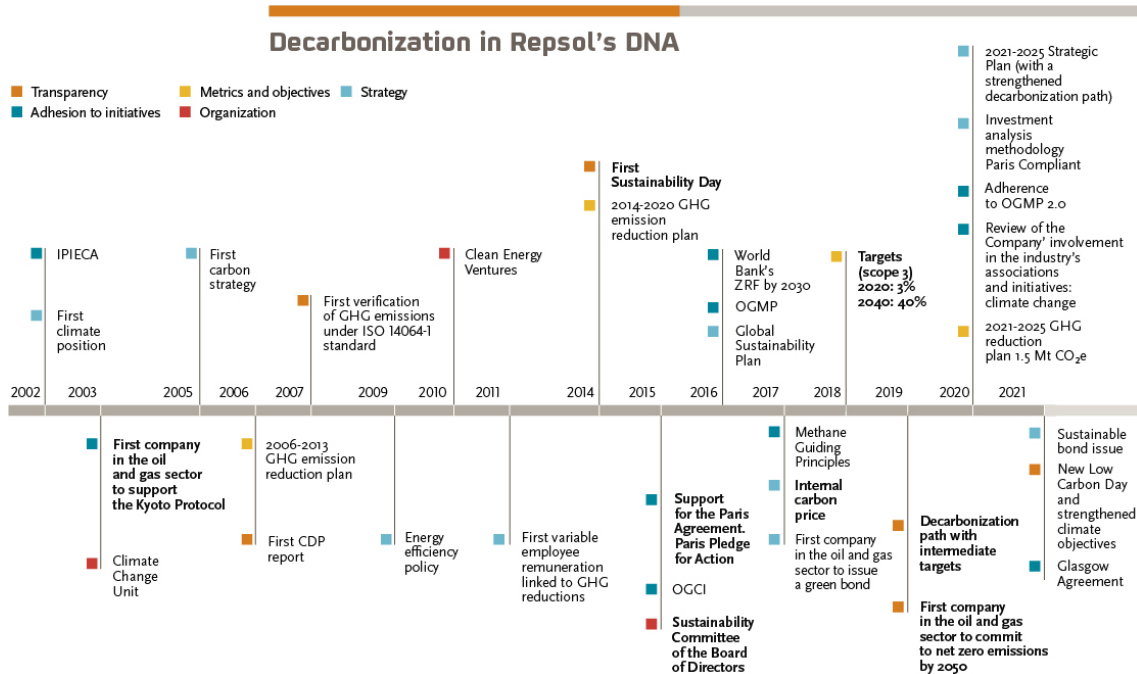
We believe that a variety of technologies will play a key role in making possible to achieve emission neutrality. The main drivers for decarbonisation will be the efficiency of current operations, renewable electrification, liquid and gaseous fuels with low carbon footprint, and carbon sinks based both on CO₂ capture and nature-based solutions.

Over the last twenty years, Repsol has built a leadership position in relation to climate change in the global oil and gas sector. We were the first company in the industry to support the Kyoto Protocol and to set the ambitious goal of orienting our strategy towards becoming a net zero emissions company by 2050, in line with the goal of limiting global warming to 1.5°C, over pre-industrial levels.

Repsol, aware of the importance of collaboration on climate matters, has also adhered to initiatives connected to the energy transition and climate change - such as the Oil & Gas Climate Initiative (OGCI) -, actively participates in forums for discussion and standardization, and works closely with its stakeholders, in particular investors and financial institutions.

This is the first time that Repsol submits its energy transition strategy to the shareholders' advisory vote, which represents one step forward in the ongoing dialogue with our investors and towards our goal of becoming a net zero emissions company by 2050.

Below is a timeline of some of the Company's main actions to date related to decarbonisation:



3. DECARBONISATION STRATEGY

As a means of driving progress towards Repsol's decarbonization strategy to become carbon neutral by 2050, Repsol uses a Carbon Intensity Indicator (CII) by which the Company measures CO₂ emissions for every unit of energy that it makes available to society. This indicator considers the direct and indirect emissions from our operations (known as scope 1 and 2), and the emissions produced by the use of the products obtained from our primary energy production (known as scope 3)².

Our decarbonisation path is represented by the reduction of the CII over time, built from business operation and investment projections, so that the contribution of each decarbonisation level to the CII reduction targets can be properly mapped.

In December 2019, Repsol publicly announced plans to achieve net zero emissions by 2050, becoming the first company in its industry to set itself this ambitious goal (100% of CII reduction). Since this announcement, Repsol has raised these interim CII targets twice, which

² For more information on the details of the direct and indirect emissions of our operations, see page 75 of the [Integrated Management Report 2021](#).



are now established as follows: 15% by 2025, 28% by 2030, and 55% by 2040 with respect to the baseline year (2016)³.

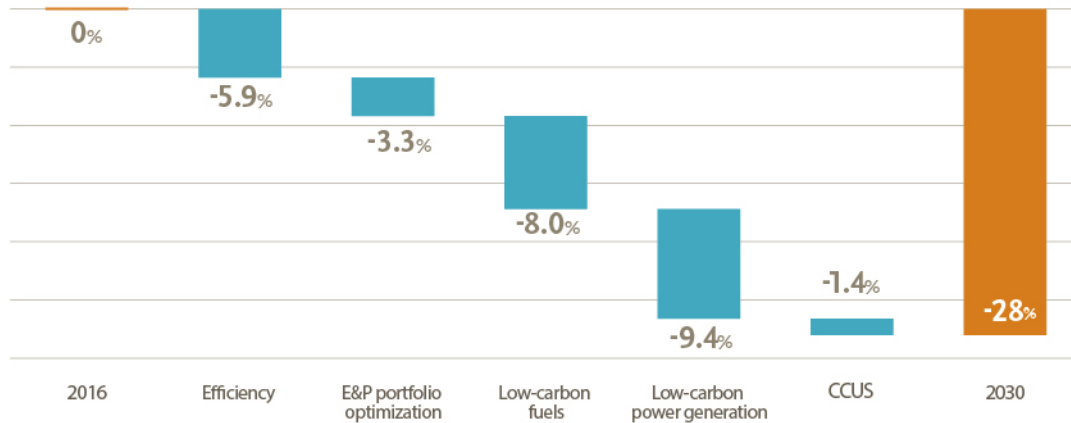
Repsol's route towards net zero emissions: actions and targets by 2030

During this decade, the CII reduction target of 28% by 2030 is achieved by meeting the specific business targets defined under the 2021-2025 strategic plan, published in November 2020, and reinforced in the Low Carbon Day announcements of October 2021. The following decarbonisation actions can be highlighted:

1. **Efficiency in operations** of our traditional businesses, through such measures such as energy efficiency, electrification, reduction of methane emissions and flare emissions as well as the optimisation of the E&P portfolio, prioritising assets and the development of projects with a shorter life-cycle span and those being less carbon-intensive.
2. **Transformation of the Industrial business for the generation of low carbon fuels:** advanced biofuels, biogas from organic waste, renewable hydrogen, and, in the longer term, synthetic fuels are key in the decarbonisation of the many energy uses where renewable electricity cannot be efficiently used. The target is to reach a production of 1.3 million tonnes of biofuels and 550 MW equivalents of renewable hydrogen by 2025, to reach 2 million tonnes and 1.9 GW equivalents by 2030, respectively.
3. **Low-carbon electricity generation:** within a relatively short period of time, Repsol has incorporated technical and management capabilities and developed a portfolio of projects in Spain, Chile, and the United States which have enabled us to set renewable electricity capacity targets of 6 GW by 2025 and 20 GW by 2030.
4. **CO₂ capture and storage:** the impact of the first CO₂ capture and storage project in Sakakemang (Indonesia) has been incorporated.

³ For more information on the CII and its goals, see page 76 of the Integrated Management Report 2021.

Breakdown of IIC reduction by lever [%]



Repsol's route towards net zero emissions: 2030-2050 scenarios

In the longer term, the Company analyses a set of possible scenarios to take into account the uncertainty associated with various factors, such as the pace of technological development, regulations, and energy consumers' needs, all compatible with the Company's goal of achieving emission neutrality by 2050.

For the development of these scenarios and to evaluate the resilience of our strategy, we have taken as a reference the macro conditions for the evolution of the demand for oil and gas and renewable electricity generation contemplated in the Sustainable Development (SDS) and Net Zero Emissions (NZE) scenarios of the International Energy Agency (IEA), for the E&P and Renewable Generation businesses.

For the Industrial (Refining and Petrochemicals) and Customer (fuel, gas and electricity sales) businesses, scenarios developed are considered compatible with environmental conditions that will be strongly influenced by the European Green Deal and the Fit for 55 legislative package of the European Union, since our markets are located in this geographical area.

Under these conditions, there is a progressive shift away from carbon-intensive primary energy sources and a growth in renewable electricity, low-carbon fuels and carbon sinks. Thus, the Company's resilience to climate-related objectives is proven, since in all the scenarios analysed, the evolution of the businesses enables the Company to achieve the goal of net zero emissions (100% reduction of IIC) in 2050 under technologically and economically viable conditions, taking



advantage of opportunities for transformation of traditional businesses and growth in new energies⁴.

In short, Repsol's strategy is inspired by the vision of a progressively decarbonised energy future with the help of renewable electrification, low or zero carbon footprint fuels and carbon sinks, and also by a firm commitment to achieving emissions neutrality by 2050.

4. METRICS AND TARGETS

Complementing the targets set for the CII, the Company announced in October 2021 two new targets based on its absolute emissions: 55% reduction in Scopes 1 and 2 emissions and 30% reduction in net absolute Scopes 1+2+3 emissions, which comprise the numerator of the CII, both by 2030 with respect to the baseline year 2016.

Furthermore, Repsol has established emission reduction plans through measures to improve operational efficiency, which were launched in 2006 and remain in force today. Repsol has initiated a new plan for the 2021-2025 period, in order to achieve a further reduction of 1.5 Mt CO₂ by 2025, which includes, among other measures, electrification projects, energy integration of units, process optimisation, efficient operation of plants, and the reduction of methane emissions.

It has also announced a new target for the reduction of methane emission intensity to 0.2% in its operated assets by 2025 with respect to 2017, a value recognised by international bodies as a standard of operational excellence for the Oil & Gas industry.

A target has also been set to reduce CO₂ equivalent emissions from routine gas flaring by 50% by 2025, with regard to E&P operated assets, the baseline for which was set in 2018.

Both the Company's greenhouse gas emission inventories and the reduction actions in these plans are verified annually in accordance with the international standard ISO 14064 by duly accredited auditing entities.

Since 2019, Repsol has been collaborating with various initiatives, including the Science Based Targets initiative (SBTi), in the development of methodologies to quantify progress in the decarbonisation of the Oil & Gas industry, as there is currently not a common standard. In any case, we believe that the methodology developed by Repsol is based on rational and scientifically based principles and is also transparently reported.

⁴ Detailed information on the 2030-2050 scenarios is given in the Company's [Integrated Management Report 2021 \(pages 68-70\)](#).



5. CAPITAL ALLOCATION

Energy transition plans imply an increasing allocation of capital to low-carbon businesses, leveraging the cash-generating capacity of traditional businesses. In the 2021-2025 period, 35% of investments will be allocated to low-carbon projects, raising this ratio to 45% of the company's employed capital by 2030.

Low-carbon businesses include those related to low-carbon electricity generation and storage, production and sales of advanced biofuels and synthetic fuels, renewable hydrogen production and sales, sales of electricity and gas, distributed generation, and other value-added services, electric mobility, and carbon capture, use, and storage (CCUS) projects.

Repsol has various internal mechanisms in place to promote the allocation of capital to low carbon investments, such as the internal carbon price and the methodology to gauge whether an investment is in line with the energy transition.

- Repsol has established an internal carbon price to incentivise new investments to achieve the decarbonisation targets, set at \$70/t CO₂ by 2025 rising to \$100/t CO₂ by 2030 in the European Union, where a regulated emission trading system is already in force, and \$60 t/CO₂ for other global regions without higher regulated prices.
- Repsol, in 2021, also developed its own methodology to assess whether an investment is in line and compatible with its path towards decarbonisation. Any investment proposal submitted to the Executive Committee and the Board of Directors must include a report drawn up by the Sustainability Division that reflects the impact of the investment in the Company's CII. Moreover, Repsol considers investment in oil sands, extra-heavy crude oils, and off-shore Arctic to be misaligned.

6. RISKS AND OPPORTUNITIES⁵

The risks and opportunities associated with climate change become increasingly important in the medium and long term.

The methodology for identifying climate risks is aligned to that used in the Company's Integrated Risk Management System, with a five-year time horizon, but has been adjusted to extend its scope to 2050 in the context of its commitment to net zero emissions and intermediate targets. The analysis of climate risks is conducted for the short, medium, and long term:

⁵ For more information, see the Chapter on Risks and Opportunities in the Integrated Management Report 2021, page 71.










- In the 2030 horizon, the probability of facing significant negative impacts as a result of the energy transition is low; that is, the Company is prepared for even the most rapid transition scenarios thanks to its decarbonisation pathway. Thus, in 2030, there is a very high probability that there will be opportunities (energy efficiency, renewable electricity generation, advanced biofuels, renewable hydrogen, circular economy, and in the medium-long term carbon capture and storage) that will counteract the potential impacts of the energy transition, given the company's clear positioning and long-term strategy in climate matters.
- By 2040 and 2050, the company's exposure to climate risks will increase, as there will be added uncertainty associated with risk factors and the scale at which can be exploited is greater. However, Repsol's commitment to becoming a net zero emissions company by 2050 and its response to different energy transition scenarios mitigates these risks.

The main risks analysed, which may become opportunities through mitigation measures, are:

- Changes in the basket of primary energy sources towards other less carbon-intensive energies which involves a reduction in the use of hydrocarbons.
- Changes in energy end uses leading to a reduction in demand for the products sold, either as a result of natural market dynamics or caused by regulation.
- Regulatory changes affecting operations and/or future investments.
- Inefficient or late adoption of new practices, processes, or novel or less mature technologies
- Changes promoting efficiency in use of natural resources including the reduction, reuse, and recycling of non-energy products.
- Potential difficulty or limitation for the Company to raise funds to meet its obligations or carry out its activities.
- Harm to the reputation of the company and/or industry.
- Technological advances or innovation related to new processes or production methods that could significantly alter the operations of the businesses units.

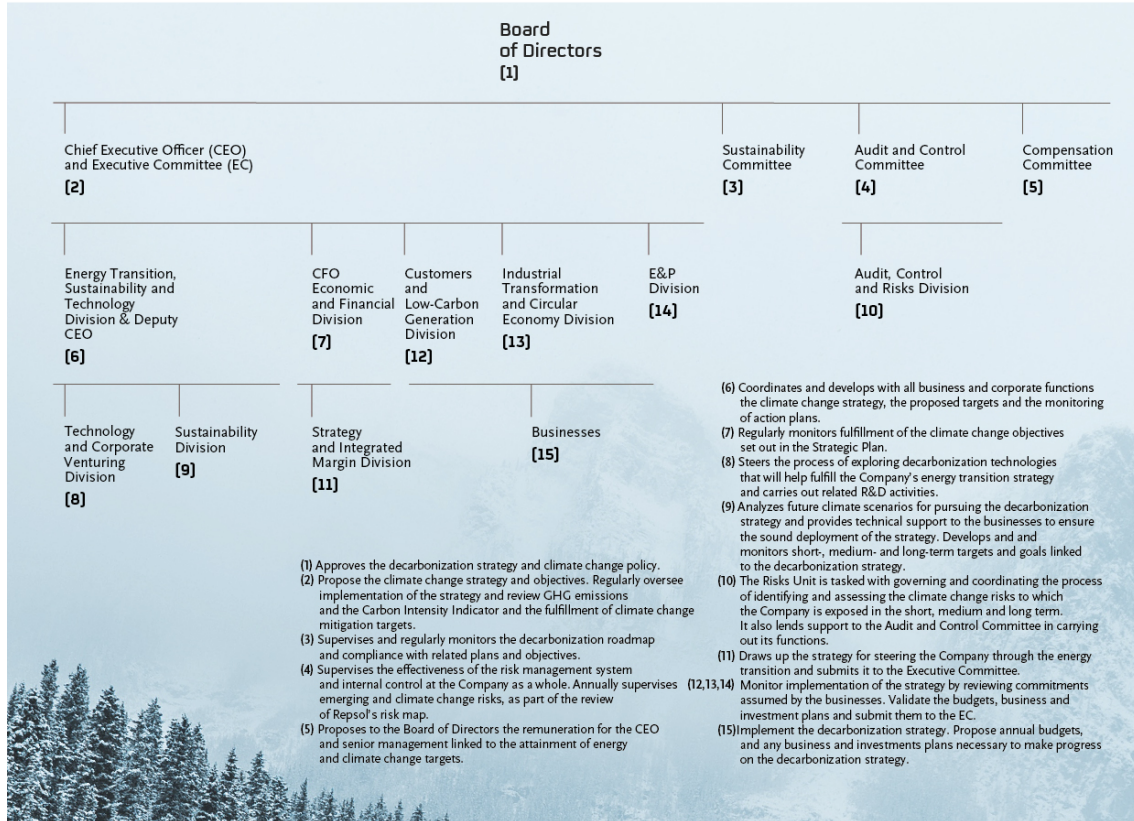
One of the main conclusions derived from the analysis of climate risks is that Repsol is more exposed to transitional risks than to physical ones. However, measures are being implemented to reduce exposure to both types of risk. Physical risks are those adverse weather phenomena to which Repsol is exposed (hurricanes, floods, changes in rain or temperature levels, etc.) capable of triggering impacts on its activities.

Climate change risks

	<p>Changes in the basket of primary energy sources towards other less carbon-intense sources, which involve a reduction in the use of hydrocarbons. Risk with greater exposure in all geographical areas: Europe, North America, Asia and Rest of the World.</p>
	<p>Changes in energy end-uses leading to a reduction in demand for products sold, whether as a result of natural market dynamics or induced by regulation (e.g. electrification of the automobile fleet, user preference for innovative forms of mobility, etc.). In terms of exposure, it ranks second in all geographical areas.</p>
	<p>Regulatory changes that affect operations or future investments, understood as those directly affecting the Company's results, either derived from the obligation to adopt measures to mitigate climate change (in line with the international commitments acquired by each of the countries in terms of decarbonization), or of an environmental or tax nature, etc., of special relevance within the European Union, where it ranks third in terms of exposure, compared to other geographical areas. (See Appendix IV to the 2021 Consolidated Financial Statements)</p>
	<p>Inefficient or late adoption of new practices, processes or or novel or less mature technologies to date, aimed at energy production (including renewable energies), distribution and storage, which eventually take hold in the market or, conversely, the premature adoption of technologies that ultimately turn out to be "non-winners". With regard to exposure, this risk is the third largest in North America, Asia and the Rest of the World.</p>
	<p>Changes that promote efficiency in the use of natural resources including the reduction, reuse and recycling of non-energy products, such as those derived from the analysis of the life cycle of products and services, the implementation of circular economy measures, limitations in the use of plastics or regulations associated with compostable and biodegradable plastics.</p>
	<p>Potential difficulty or limitation in raising the necessary funds to meet its obligations or to carry out its activities or those associated with a possible decrease in the credit rating that impacts the Group's financing capacity in the markets.</p>
	<p>Harm to the reputation of the Company or the industry caused by social disapproval, whether or not justified, of its performance in relation to sustainable development initiatives.</p>
	<p>Technological advances or innovation related to new processes or production methods that could lead to significant alterations in the operations of the Group's businesses. This risk includes technologies such as: CCS, CCU or the inclusion of waste or carbon-based discharges such as CO₂ or urban waste as raw materials in the production process (circular economy).</p>
<p>Impact⁽¹⁾</p> <ul style="list-style-type: none"> ● High ● Medium ● Low 	
<p>(1) Three impact ranges have been defined based on the relative contribution of each business to the total economic impact of each of the risks. The economic impact on which the ranges have been defined corresponds to the 5% probability scenario in 2050.</p>	

7. GOVERNANCE⁶

Climate change governance



The entire organisation, governance bodies, businesses units, corporate areas, and employees are involved in achieving the decarbonisation goals.

Repsol has a governance structure for management of the issues pertaining to climate change, led by the Board of Directors. The Board of Directors approves the decarbonisation strategy (integrated in the Company strategy) and oversees its compliance by monitoring sustainability and energy transition goals and indicators. This includes monitoring performance metrics, emission reduction and low-carbon energy generation targets, investment plans, technological developments and applications, as well as the compatibility of the investment proposals with the energy transition goals.

The Executive Committee, together with the Sustainability and the Audit and Control Committees of the Board of Directors, oversees reporting on the execution of the climate change strategy, as well as the management and progress regarding compliance with CII.

⁶ For more information see the Climate Change Governance Chapter of the [Integrated Management Report 2021, pages 61-63](#).



The Company's climate change goals have a direct impact on the variable remuneration of all employees:

- Short-term variable remuneration is defined and reviewed on a yearly basis. A weight of up to 25% is given to the sustainability commitments, linked to the reduction of CO₂ emissions and the megawatts of renewable power in operation.
- Furthermore, Repsol has long-term incentive programs, 30% linked to the achievement of the CII reduction path and 10% linked to renewable generation targets. This long-term variable remuneration comprises all executives and members of senior management, including the CEO, as well as a high percentage of senior leaders.

8. TRANSPARENCY AND REPORTING

In an explicit commitment to transparency and to following best reporting practices, Repsol prepares its information on climate change in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), to which it voluntarily adhered in 2018.

In addition to the application since 2001 of the GRI reporting standards, in 2020 we also incorporated the Sustainability Accounting Standards Board (SASB) framework, and in 2022 new recommended metrics under the Stakeholder Capitalism Metrics (SC) initiative of the World Economic Forum (WEF).

Moreover, every year we assess whether the Associations and Initiatives in which Repsol participates are aligned with the Paris goals and with our own climate change positioning. To this end, these Associations are classified into "Aligned", "Partially Aligned", or "Non-Aligned" depending on their express commitment to adhere to the goals established in the Paris Agreement and the consistency of their actions with Repsol's climate change strategy. The Company does not currently take part in any Non-Aligned association or initiative.

For more details on Repsol's governance, strategy, risks and opportunities, plans, metrics, and targets as regards to the energy transition and climate change, the following public documents are available on the [Repsol website \(shareholders and investors section\)](#):

- Presentation of the [Strategic Plan 2021-2025](#) (November 2020).
- [Repsol Low Carbon Day](#) (October 2021).
- Section 6.1 of the [Integrated management report](#) and [Annual corporate governance report](#) (February 2022).



AGM 2022
Translation of the original in Spanish.
In case of any discrepancy, the Spanish version prevails
**AGM Accessible documentation. In case of discrepancy, the
original document prevails.**

- [Report on Repsol's participation in industry associations \(2020\); Review of Repsol's participation in industry associations \(2021\).](#)
- [Annual ESG Engagement Report \(2021\).](#)

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