

# 2025 AGM

## REPSOL, S.A.

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Justification report on the  
Remuneration Policy of Directors  
of Repsol, S.A.



*Translation of a report  
originally issued  
in Spanish. In the event  
of a discrepancy,  
the Spanish language  
version prevails*

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## **Justification Report of the Compensation Committee on the Remuneration Policy for the Directors of Repsol, S.A.**

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# JUSTIFICATION REPORT ON THE REMUNERATION POLICY FOR THE DIRECTORS OF REPSOL, S.A.

## 1. INTRODUCTION

In accordance with the provisions of Article 39 bis of the Bylaws and Article 36 of the Regulations of the Board of Directors of Repsol, S.A. (hereinafter, “**Repsol**” or the “**Company**”), the Compensation Committee (hereinafter, the “**Committee**”) is assigned, among other functions, the task of proposing to the Board of Directors the Remuneration Policy for Directors, reviewing it periodically, and ensuring its observance.

Article 529 *novodecies* of the consolidated text of the Capital Companies Act, approved by Royal Legislative Decree 1/2010, of July 2 (the “**LSC**”), establishes that the proposal for the remuneration policy for Directors must be motivated and accompanied by a specific report from the Compensation Committee, and both documents must be published on the corporate website from the call of the General Meeting.

This document constitutes the justification report (hereinafter, the “**Report**”) of the proposal for the Remuneration Policy for Directors (the “**Remuneration Policy**”), which will be submitted for approval by the Board of Directors for subsequent submission to the General Meeting of Shareholders. This Report outlines the criteria and foundations on which the Compensation Committee bases its proposal for the Remuneration Policy applicable during the fiscal years 2025, 2026, 2027, and 2028.

## 2. BASIS OF THE NEW REMUNERATION POLICY FOR DIRECTORS

The proposed Remuneration Policy that will be submitted for approval by the Board of Directors, and subsequently by the Ordinary General Meeting of Shareholders, follows the lines established in the current remuneration policy for Directors, approved by the General Meeting of Shareholders on May 25, 2023, introducing some new features.

These modifications respond to the Society's desire to stay aligned with the best practices of corporate and market governance, with the recommendations established in the CNMV's Code of Good Governance for Listed Companies, and with the interests of its shareholders.

The main new features included are as follows:

- Assignment of the **Long-Term Incentive** to the CEO **entirely in performance shares**, replacing the previous allocation of 50% in performance shares and 50% in cash.
- **Increase in the shareholding policy** for Executive Directors, who will henceforth be required to hold three years of their fixed remuneration in shares of the Company (instead of two).<sup>1</sup>
- **Elimination of the discretionary power of the Board of Directors** to adjust up to a maximum of 20%, upwards or downwards, the final result of the CEO's annual variable remuneration, based on the quality

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<sup>1</sup> The CEO currently holds 860,086 shares of Repsol, which is equivalent to more than 7 times his annual fixed remuneration.



of results, individual performance, or other issues or circumstances requiring qualitative measurement.

- **Elimination of the discretionary power of the Board of Directors** to adjust up to a maximum of 20%, upwards or downwards, the final result of the CEO's **long-term variable remuneration**, based on the quality of results, individual performance, or other issues or circumstances requiring qualitative measurement.
- Establishment of a **maximum compliance level** of 120% in the metrics of the CEO's **annual variable remuneration** and a maximum overall achievement level of 120% of the objectives.
- Establishment of a **maximum compliance level** of 120% in the metrics of **long-term incentive plans** and a maximum overall achievement level of 100% of the objectives.
- **Increase in the CEO's fixed remuneration** by 10%.

#### ***Reasons for the increase in the CEO's fixed remuneration***

Firstly, and before considering any increase in the CEO's fixed remuneration, the Board of Directors, following reports from the Nomination and Compensation Committees, has assessed the excellent and successful performance and leadership of Mr. Imaz since his appointment as CEO, in the process of transforming the Group. To this end, it is considered appropriate to highlight the following milestones:

#### **Strategic and financial transformation**

- **Transformation of Repsol into a multi-energy company:** Since his appointment in 2014, Mr. Imaz has led the transformation of Repsol from an oil and gas company to a global multi-energy company. Under his leadership, Repsol has developed new low-carbon businesses, increasing the capital employed in these businesses from 2% in 2019 to 16% in 2023, with expectations of reaching 33% in 2027 and more than 40% in 2030.
- **Financial metrics:** During his tenure, Repsol has generated an operating cash flow of around 59 billion euros. This optimal performance has allowed for a strong investment effort in the period of more than 53 billion euros, which has enabled progress in the Company's transformation while maintaining solid financial strength.
- **Shareholder distribution policy:** Mr. Imaz has defined a clear and consistent shareholder distribution policy, linked to the generation of operating cash flow. From 2014 to date, Repsol has distributed 10.44 euros per share and has maintained an average annual dividend yield of 6.7% until 2024. Additionally, since 2022, the company has reduced its outstanding shares by 370 million shares or 24%, from a total of 1,527 million shares to 1,157 million shares, thus increasing earnings per share.

#### **Sustainability and Energy Transition**

- **Commitment to Sustainability:** Repsol, under the direction of Mr. Imaz, was the first company in its sector to announce a commitment to net zero emissions by 2050. The company also issued the first Green Bond in 2017 and two Sustainability-Linked Bonds in 2021. Additionally, it secured a loan from the European Investment Bank for a decarbonization project.
- **Reduction of Carbon Intensity:** Repsol's Carbon Intensity Indicator (CII) reduction target has been revised upwards twice, setting a reduction of 15% by 2025, 28% by 2030, and 55% by 2040, while maintaining its commitment to net zero emissions by 2050. Methane intensity and carbon intensity in the Exploration and Production business have also been significantly reduced.
- **Creation of the Low Carbon Generation division:** Mr. Imaz has led the creation of a successful Low Carbon Generation division, with a portfolio of more than 60GW in solar, wind, and hydroelectric



projects in Spain, the USA, Chile, and Italy. This division has demonstrated its capital profitability with a double-digit internal rate of return (IRR) after asset rotation.

### Innovation and Digitalization

- **Innovation in the Customer Business:** Repsol has transformed its customer division, integrating the retail electricity and gas business, reaching more than 24 million total customers in 2024. The Company has developed one of the largest public electric vehicle charging networks in Spain, with more than 1,850 charging points.
- **Digitization and Efficiency:** Under Mr. Imaz's leadership, Repsol has implemented a digitization program in two waves, with an investment (opex+capex) exceeding 1.2 billion euros from 2018 to 2024, contributing a cash flow of 2 billion euros in the first digital wave (2018 to 2022) and nearly 500 million euros in the second wave (2023 and 2024). Additionally, the procurement program executed from 2021 to 2023 has captured savings exceeding 1 billion euros until 2025.

### Recognitions and Evaluations

- **External Recognitions:** Mr. Imaz has received multiple recognitions, including being named twice as the Best CEO in his sector by financial analysts in the international survey –Extel– and once by Forbes. In 2024, he was awarded as the best entrepreneur of the year in Spain.
- **Positive Evaluations:** Mr. Imaz's performance has been positively evaluated by Repsol's Board of Directors during all the years of his tenure, obtaining a score of 3.9 out of 4 in the latest evaluation conducted with the advice of Deloitte.

That said, the Compensation Committee and the Board of Directors have always adopted an extraordinarily prudent approach regarding the increases in the CEO's compensation, considering the opinions of our stakeholders and taking note of the scrutiny of salary increases. As a result, the CEO's compensation remained frozen for ten years, from his appointment in 2014 until the past fiscal year, when a 10% increase in his fixed compensation was finally proposed, while the compensation of other employees increased by 25% during the same period, and accumulated inflation in Spain was 24.8%. This means that in net terms, the CEO's compensation has not only not increased since his appointment but has decreased by almost 15%.<sup>2</sup>

This extraordinarily prudent policy has caused the CEO's compensation to currently be well below the market, violating one of the principles of Repsol, S.A.'s Directors' Remuneration Policy, which is that the compensation of Executive Directors should be competitive in relation to other comparable entities, in order to attract, retain, and motivate the best professionals.

Therefore, within the framework of the general talent attraction and retention program at Repsol supervised during 2024 by the Nomination and Compensation Committees, the Board of Directors considers that the CEO should receive fair compensation, and that his fixed compensation should reflect his extraordinary performance.

In this regard, and although both the Compensation Committee and the Board of Directors use comparative data with caution, as an essential additional element of judgment, the former commissioned a market analysis from the specialized remuneration firm, WTW (*Willis Towers Watson*). This analysis measured the total compensation of the CEO with two groups: (i) a set of 11 comparable companies in the Energy and Utilities sector in Europe, with an international scope and a size –in at least two of the magnitudes related to revenue, market capitalization, and asset volume– similar to Repsol; and (ii) the set of companies in the Ibex 35. It is important to note that international companies based in North America

<sup>2</sup> Variation of the National General Index according to the IPC base 2021 system from January 2014 to December 2024, according to the website of the National Statistics Institute (INE).



were excluded from the first group of Energy sector comparable, as compensation in that market is higher than in Europe<sup>3</sup>.

The results of this study show that:

- the fixed compensation of executive directors of comparable companies in the Energy sector has increased by 32% between 2014 and 2024, and total compensation by 57%. In the Ibex 35, the increases have been 40% for fixed compensation and 85% for total compensation; and that
- the current compensation of the CEO is currently at the 37th percentile within the comparison group of the sector and at the 60th percentile in the Ibex 35, well below what would be considered competitive compensation.

All this highlights that the CEO's compensation is not related to his excellent performance, the evolution of the group's operational complexity, or the evolution of sector and other employees' compensation, and therefore corrective measures must be taken to ensure he is fairly compensated and to avoid potential difficulties in the future. Consequently, the Board of Directors, at the proposal of the Compensation Committee, has agreed to submit to the General Meeting an additional 10% increase in the CEO's fixed compensation, which would position his total target compensation for 2025 at the 43rd percentile within the energy sector comparison group and at the 64th percentile within the Ibex 35. This increase would still be lower than the average salary growth of the Company's other employees in the considered period and the accumulated inflation in Spain (both of which have increased by 25%).

Both the Compensation Committee and the Board of Directors are fully aware of the current relevance of Executive Directors' compensation and have made this decision only after a round of consultations with the Company's main shareholders and voting advisors and carefully considering their opinion, which has been overwhelmingly positive, after reflecting on all the above and being convinced that it is the most appropriate and fair proposal for the Company.

### 3. PRINCIPLES OF THE NEW DIRECTORS' REMUNERATION POLICY

The general principle that defines this Remuneration Policy is the pursuit of mutual value generation for the Company and the Directors and the alignment of their long-term interests with those of the shareholders, ensuring complete transparency. To this end, in order to develop the new Remuneration Policy, the Company has gathered information from the Company's shareholders, institutional investors, and proxy advisors, in the context of the recurring consultation and engagement processes carried out by Repsol.

Repsol considers the appropriate remuneration of its professionals as a fundamental factor in the creation of value for the Company. In this regard, it is essential to have a Remuneration Policy that allows for the determination of the remuneration corresponding to each Director, based on their dedication, qualifications, type, and level of responsibility, ensuring that the independence of the Directors in their capacity as such is not compromised, and that the exceptional results and performance levels of the Executive Directors can be adequately rewarded.

Likewise, it is the responsibility of the Commission to ensure that the Company does not pay more than necessary, configuring a remuneration package that is, at the same time, competitive and allows Repsol to have the best professionals in the market, in general, and in the energy sector, in particular.

<sup>3</sup> Galp Energy SGPS, S.A.; E.ON SE; EDP Energias de Portugal, S.A.; National Grid PLC; Centrica PLC; Naturgy Energy Group, S.A.; Veolia Environment, S.A.; Siemens Energy AG; Compañía Española de Petróleos, S.A.; Iberdrola, S.A.; and RWE AG.



In this context, and in accordance with article 217 of the LSC, which establishes that the remuneration of the Directors must in any case be reasonably proportionate to the importance of the company, the economic situation at any given time, and the market standards of comparable companies, the Commission and the Board of Directors periodically review the Remuneration Policy.

According to the Remuneration Policy, the remuneration of the Directors in their capacity as such is based on the following principles:

- The remuneration must be sufficient and appropriate to the dedication, qualifications, and responsibilities of the Directors, but without compromising their independence of judgment.
- The remuneration must be in line with what is paid in the market. To this end, the remunerations of Directors set in other listed business groups similar to Repsol in terms of size, complexity of their businesses and operations, and geographical distribution of their assets are taken into consideration, adapting them, if necessary, to Repsol's circumstances and needs.

On the other hand, the remuneration of the Executive Directors for the performance of their executive functions considers the following general principles:

- Ensuring that the remuneration, in terms of its structure and overall amount, complies with best practices and is competitive in relation to other comparable entities in order to attract, retain, and motivate the best professionals.
- Establishing remuneration with objective criteria related to the individual performance of the Executive Directors and the achievement of the business objectives of the Company and the Group.
- Maintaining an annual variable component linked to the achievement of specific and quantifiable objectives, aligned with the social interest, with control and measurement systems that determine the perception of the variable remuneration based on evaluations that measure individual performance and personal contribution to the achievement of the set objectives.
- Incorporating multi-year variable remuneration systems that promote the achievement of long-term strategic objectives and the retention of key individuals, promoting the sustainability and profitability of the Company in the long term.
- Maintaining an appropriate balance between the different remuneration elements, in line with best corporate governance practices, also considering the information received from the Company's shareholders, institutional investors, and proxy advisors, in the context of the consultation and engagement processes carried out by Repsol.
- Ensuring the alignment of their interests with those of the shareholders, promoting the holding of shares.
- Aligning the remuneration policy of the Executive Directors with that of the Senior Management.

Accordingly, the remuneration of the Directors, in their capacity as such, is entirely composed of fixed components, while the remuneration package of the Executive Directors, for their executive functions, consists of different remuneration elements that mainly include fixed remuneration and short- and long-term variable remuneration linked to the objectives established in the Company's Strategic Plan, presenting a balanced and efficient relationship between the fixed and variable components, so that the fixed component constitutes a sufficiently high part of the total remuneration and the variable components have enough flexibility to allow their modulation to the point that their total suppression is possible in a given year if the objectives to which they are linked are not achieved.

In this sense, the remuneration package reflects the Company's philosophy of having competitive remuneration that promotes the achievement of corporate objectives while preventing excessive risk-taking.



All of this, in the terms and with the details set out in the text of the Remuneration Policy that is submitted to the Board of Directors for submission to the Annual General Meeting.

## **4. CONCLUSIONS AND VALIDITY OF THE DIRECTORS' REMUNERATION POLICY**

The Committee considers that the proposed Remuneration Policy of Repsol is aligned with the long-term interests of the Company and its shareholders and that the relative positioning of the remuneration of the Company's Directors in relation to the market is adequate, as it adequately compensates the performance of their functions in accordance with the size, objectives, internal organization, and nature, scope, and complexity of Repsol's activities.

According to the provisions of article 529 *novodecies* of the LSC, the Company will apply the present Directors' Remuneration Policy during the fiscal years 2025, 2026, 2027, and 2028. Any modification or replacement of the Remuneration Policy during this period will require prior approval from the Annual General Meeting in accordance with the provisions of the current legislation, without prejudice to the remunerations expressly approved by the Annual General Meeting in accordance with section 5 of the aforementioned article 529 *novodecies*.

For all the above reasons, this Committee submits the present report, together with the accompanying Remuneration Policy, to the Board of Directors for submission to the approval of the Annual General Meeting.

Madrid, March 18, 2025

The Compensation Committee

