Non-Financial Reporting,TCFD and Sustainable Finance

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Sustainability Day 2019

REPSOL

Repsol's approach to **climate management**

From Kyoto to Paris

The first company in the Oil & Gas sector to support the Kyoto Protocol and to communicate its ambition to reduce its carbon intensity by 40% by 2040

1992
- Energy Efficiency Index and Consumption and Losses Group
- Energy management at Industrial Area

2002
- IPIECA
- 1st Climate Change Position

2003
- Climate Change Unit

2005
- 1st Carbon Strategy

2006
- GHG emissions reduction plan 2006-2013
- 1st CDP report

2007
- 1st GHG emissions verification under ISO 14064-1 standard

2008
- Energy Efficiency Coordination Area

2009
- Energy Efficiency policy

2010
- Energy Ventures

2011
- 1st employees variable remuneration linked to a GHG emissions reduction target
- 1st Energy Management System certification under ISO 50001 standard (A Coruña Refinery)

2014
- GHG emissions reduction plan 2014-2020
- First Sustainability Day

2015
- Sustainability Committee
- OGCI Support Paris Agreement Paris Pledge for Action

2016
- Zero Routine Flaring by 2030 – World Bank
- Climate & Clean Air Coalition – O&G Methane Partnership UN Enviroment
- Global Sustainability Plan

2017
- Methane Guiding Principles
- CCUS position
- Internal carbon pricing
- 1st O&G company issuing a green bond

2018
- GHG emissions reduction plan 2018-2025
- Methane emissions and routine flaring reduction targets by 2025
- Carbon Intensity Indicator target
- SDG priorization
- TCFD recommendations

TRANSPARENCY | METRICS AND TARGETS | ADHESION TO INICIATIVES | ORGANIZATION | STRATEGY

Repsol Climate Roadmap: commitments

-3 Mt/y

NEW CO_2EQ PLAN BY 2025

Baseline: 2017

-25%

METHANE INTENSITY REDUCTION BY 2025

-50%

OF ROUTINE FLARING REDUCTION BY 2025

Baseline: 2018

Carbon intensity reduction

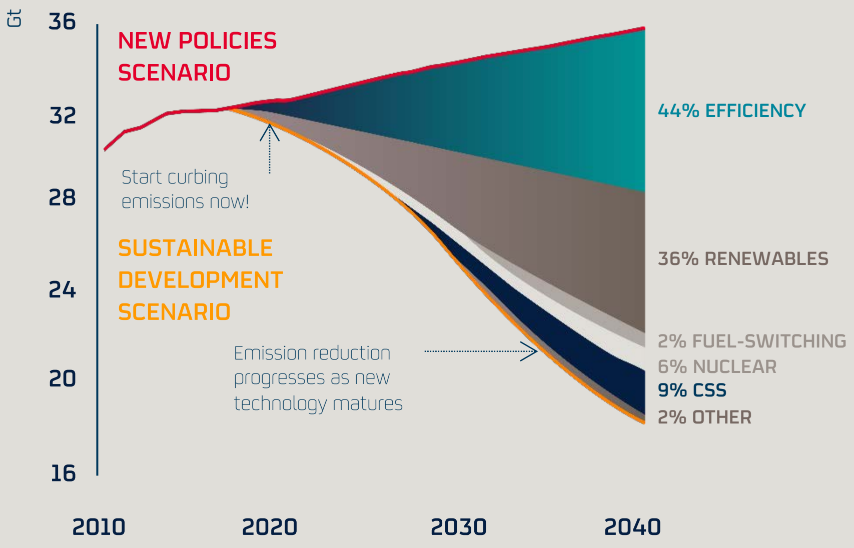
2016 → T CO_2/GJ (Base 100)

2020 → ↓ 3% 2020 Target

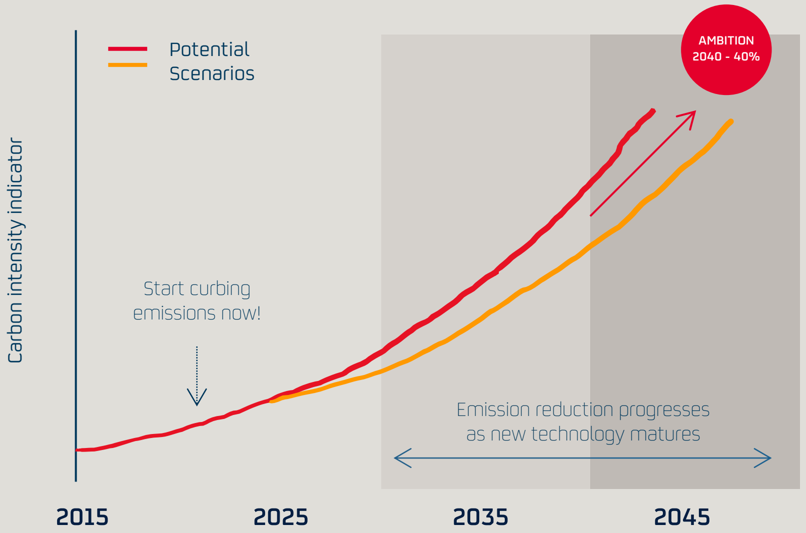
2040 → ↓ 40% 2020 Ambition

Carbon emission reduction pathway

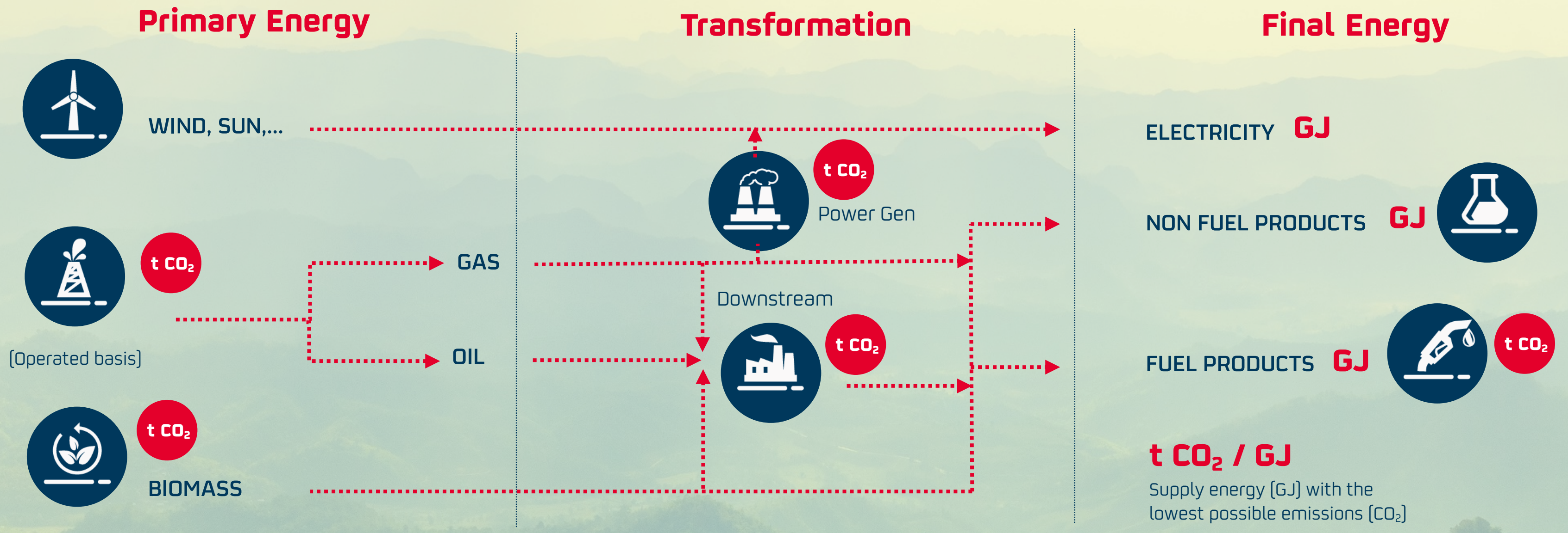
IEA Sustainable Development Pathway



Repsol Carbon intensity Pathway



Carbon Intensity Index



Life-cycle (scope 1,2 and 3 emissions)

Substitution impacts (power generation)

Transparent climate reporting

Alignment with TCFD: status

Toward a low-emissions future
Repsol climate Roadmap

Index

Recommendations and Supporting Recommended Diclosures

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

GOVERNANCE	STRATEGY	RISK MANAGEMENT	METRICS AND TARGETS
Disclose the organization's governance around climate-related risk and opportunities	Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material	Disclose how the organization identifies, assesses, and manages climate-related risks	Disclose the metrics and targets used to asses and manage relevant climate- related risks and opportunities where such information is material

https://www.repsol.com/imagenes/global/en/repsol-climate-roadmap_tcm14-155816.PDF

ESG Ratings

	2019	2018
Transition Pathway Initiative	**Level 4** (max. score)	**Level 4** (max. score)
CDP	**TBA** Nov 2019	**B** (band Management) – *new methodology*
vigeoeiris	**67/100** Advanced	**58/100** Robust
MSCI	**pending**	**AA** (from CCC to AAA; only 1 peer in AAA)
SUSTAINALYTICS	**21.1/100** (risk-based scoring)	**84/100** (ESG performance-based scoring)
ISS ESG ethix•climate•oekom	**B-** (from D- to A+, no sector company above B)	**C+** (from D- to A+, no sector company above B)

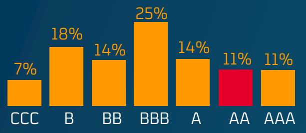
Transition Pathway Initiative

Carbon Performance: alignment with Paris Agreement benchmarks

'Repsol is one of the 2 companies in Oil&Gas sector that comes into alignment with the Paris Agreement before 2050'

MSCI

INDUSTRY RATING DISTRIBUTION



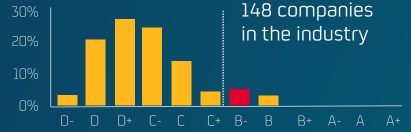
SUSTAINALYTICS

RELATIVE PERFORMANCE

	Rank (1st = lowest risk)
Global Universe	**2,865** out of 12,420
Oil & Gas Producers (Industry Group)	**4** out of 283
Integrated Oil & Gas (Subindustry)	**1** out of 45

ISS ESG

DISTRIBUTION OF RATING



Alignment with TCFD next steps

TCFD recommendations to be incorporated in Repsol's

Integrated Management Report 2019

Governance

Detail how the **Executive Committee** deals periodically with climate **impacts** as an integral part of key management processes (Budget, Business Plans, Strategic Plan, Risk Evaluation)

Detail roles, responsibilities and organizational dependency of the **Strategy Directorship** with regards to climate change

Strategy

Risk management: link mitigation of specific risks with new low-carbon business opportunities where applicable

Scenario analysis: Provide more clarity on how the declared alignment with Paris links with specific company scenarios and objectives

Risk

Risk management: detail the process for evaluation of emerging and climate risks and how materiality analysis fits in that process

Scenario analysis: provide more detail of global and company scenarios used for identification of emerging and climate risks

Metrics

Emissions inventory: provide historical data series for GHG inventory (scope 1, 2 and 3)

Targets and commitments: improve details on calculation methodologies used for key metrics

Sustainable finance

The EU Action Plan

In June 2018, the European Commission set up a Technical Expert Group (TEG) on Sustainable Finance to assist it in developing:

Taxonomy: EU classification system to determine whether an economic activity is environmentally sustainable

EU **Green Bond** Standard

Benchmarks for low-carbon investment strategies: CTB (Climate Transition Benchmark for portfolios moving into a decarbonisation trajectory), PAB (Paris Aligned Benchmark for portfolios aligned with goals of the Paris Agreement)

Guidance to improve corporate **disclosure** of climate-related information aligned with TCFD recommendations

What principles should apply?

Inclusive and fit-for-purpose

Any initiative or project that make a **real contribution** to reducing GHG emissions, both short-term (start acting now!) and long-term

Technology neutral

All potentially promising technologies

Technology evolution and breakthroughs are **uncertain and not linear**

Protect competitiveness

Climate Change is a **global** issue, the EU to lead but not to decouple from global governance

Safeguard international competitiveness of **EU industries**

Benchmarks and Taxonomy

Is it fit-for-purpose?

TAXONOMY AND CLIMATE BENCHMARK OBJECTIVES

Taxonomy: EU classification to determine whether an economic activity is environmentally sustainable

- List of economic activities with performance criteria v.a.v. contribution to environmental objectives
- Alignment with SDG and Paris Agreement

Benchmarks (Carbon Transition Benchmark and Paris Aligned Benchmark):

- Allow a significant level of comparability of climate benchmarks
- Increase transparency
- Prevent greenwashing

TEG RECOMMENDATIONS RELATING BENCHMARKS

- Relative decarbonization: From 30% to 50%
- Scenario Reference: IPCC 1.5 ºC
- ✗ Differentiation between pre-defined Green and Brown assets
- ✗ Exclusion from PAB of companies with revenues >10% oil, >50% gas, >50% power gen >100 gCO_2/kWh
- ✗ -7% yearly linear reduction path of GHG emissions intensity until 2050

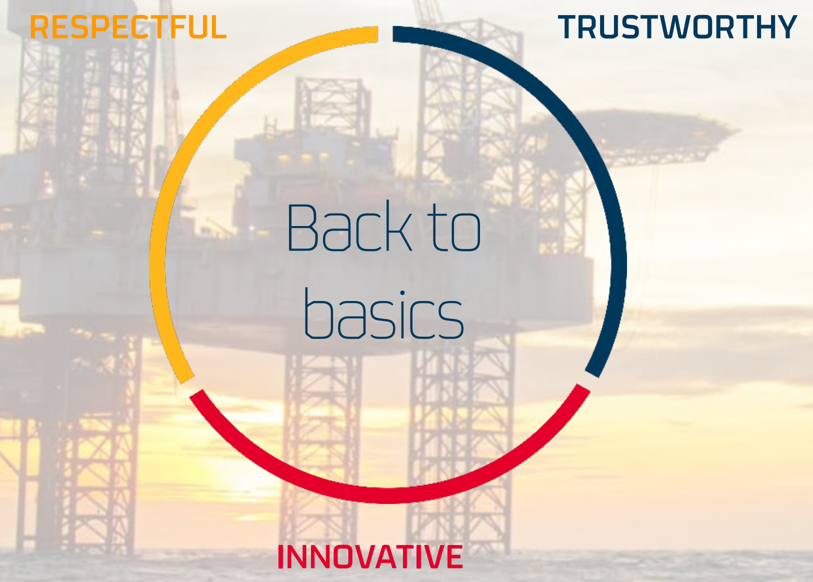
TEG RECOMMENDATIONS RELATING TAXONOMY

- ✗ Oil exploration, production and refining activities excluded
- ✗ Power generation: near-term threshold of 100 gCO_2/kWh for gas; hydro-pumping excluded
- Green bond standard aligned with taxonomy

Closing remark:
Back to basics

Repsol's social license

to operate and company strategy



Climate Change and Energy Transition

- WE ARE PART OF THE **SOLUTION** TO CLIMATE CHANGE
- WE ARE FINDING **NEW OPPORTUNITIES** IN THE ENERGY TRANSITION AS AN ENERGY PROVIDER

REPSOL