Repsol's Green Bond Framework

REPSOL

Committed to a low-emissions future

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In October 2015, the European Securities Markets Authority [ESMA] published the Guidelines on Alternative Performance Measures [APM], of mandatory application for the regulated information to be published from 3 July 2016. Information and disclosures related to APM used on the present document are included in Appendix I "Alternative Performance Measures" of the Management Report for the full year 2016.

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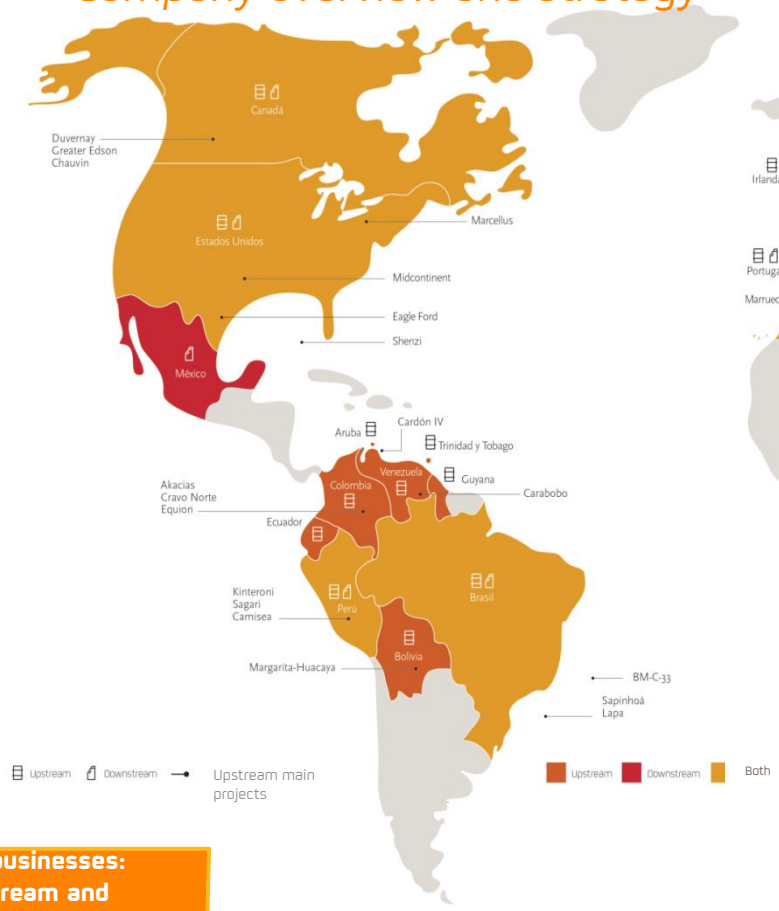
Company Overview

1

Through the value chain and across the globe

Company overview and strategy



Core businesses: Upstream and Downstream

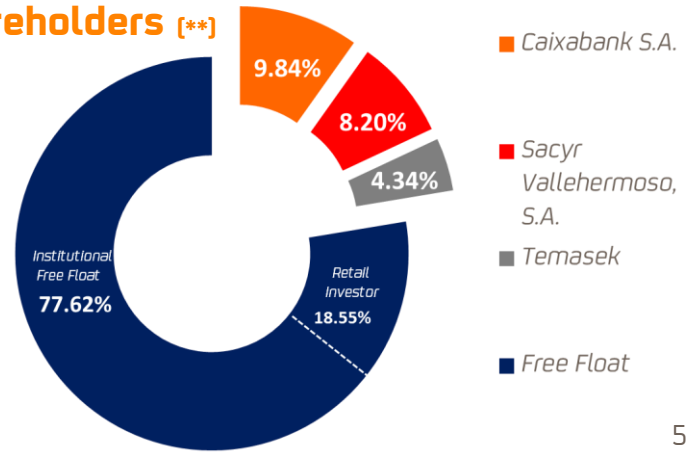
~700 kboepd production

~1 Million bpd refining capacity

~2.4 billion boe proved reserves (*)

20% stake in GNF

Our shareholders (**)



(*) As of 31/12/2016 (**) As of April 2017

Repsol today

Strategic Plan 2016-2020

PORTFOLIO MANAGEMENT

- **Capex** flexibility
- **Portfolio** rationalization

VALUE

- Shift from **growth to value delivery**
- Competitive and **sustainable shareholder remuneration**

EFFICIENCY

- **Synergies and company-wide Efficiency Program**

RESILIENCE

- **Integrated** model
- **Self-financing strategy** even in a stress scenario
- **FCF breakeven** reduction

Long term value capture

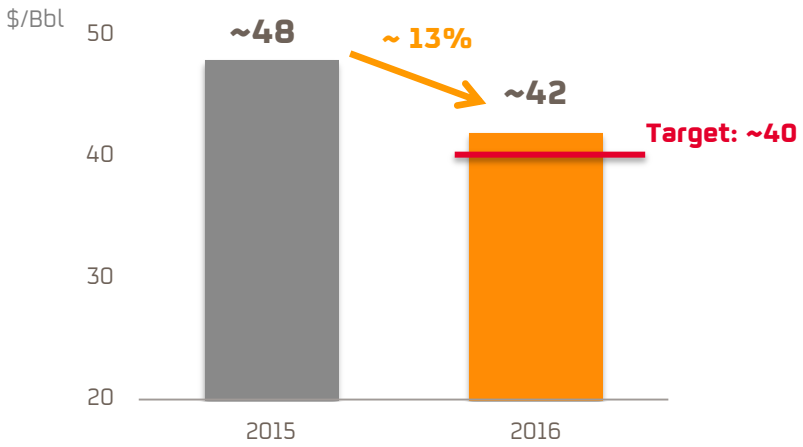
- Keep **financial and operating discipline**: synergies and efficiencies
- **Consolidate and extract** the current value of our assets
- **Manage portfolio** to capture maximum value
- **Review of projects** with a long-term pay back
- **Be ready to diversify/adapt** traditional businesses

Sustainable value and resilience.

2016 - A year of strategic progress

Company overview and strategy

Group FCF breakeven

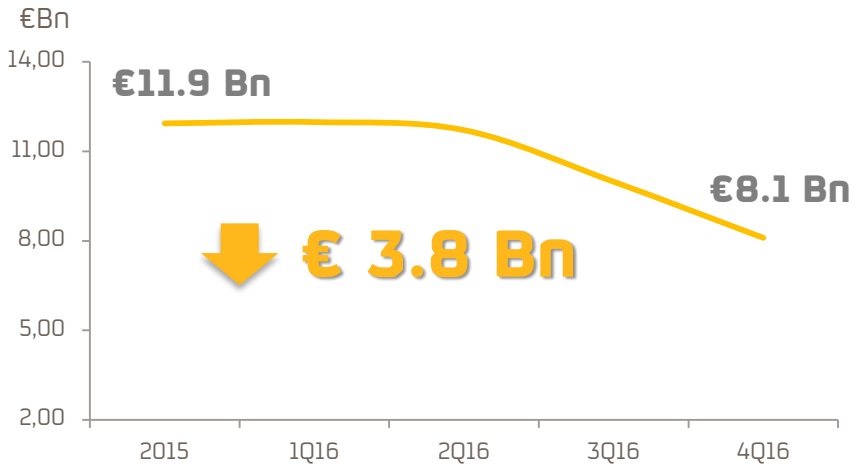


Divestments

- 10% stake in GNF — € 1.9 Bn
- Piped LPG — € 0.7 Bn
- Tangguh — € 0.3 Bn
- TSP — € 0.1 Bn
- Others (eg: LPG Ecuador and Peru) — € 0.6 Bn

TOTAL CASH RECEIVED **€ 3.6 Bn**

Net Debt



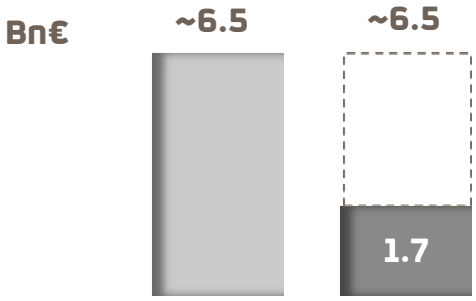
Key Metrics

	2015		2016
EBITDA CCS (Bn€)	*5.1*	→	*5.0*
Brent price *($/Bbl)*	*52.4*	→	*43.7*
HH *($/MBtu)*	*2.7*	→	*2.5*
Refining margin Indicator *($/Bbl)*	*8.5*	→	*6.3*
Exchange rate *($/€)*	*1.11*	→	*1.11*

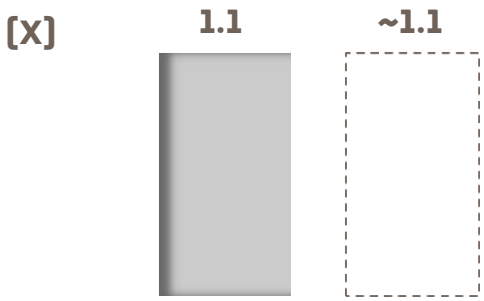
Key messages 1Q 2017

Company overview and strategy

Continued delivery on strategic objectives

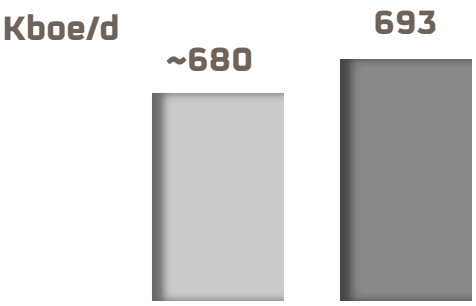


Strong EBITDA CCS generation



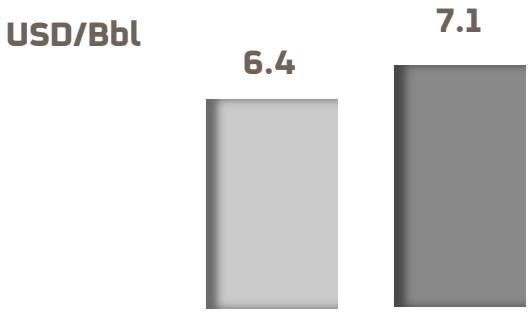
Net Debt/EBITDA in line with projections

Upstream



Production volumes ahead of plan

Downstream[1]



Refining margin indicator in line with expectations

2017 Budget 1Q17 actual 2017 guidance

[1] Refinining Margin Indicator

Our commitments to Sustainability

2

Our commitments to sustainability

Commitment to safety

- ✓ **Commitment to Zero Accidents by 2020**
- ✓ Embedded **safety culture**
- ✓ Strict **asset integrity** procedures

Respect for human rights

- ✓ **Policy on respect for human rights and community relations** based on the UN Guiding Principles on Business and Human Rights

Excellence in environmental management

- ✓ **Excellence in spill prevention and response**
- ✓ **Optimized** water&waste management
- ✓ **Biodiversity** action plans

Transparency

- ✓ **Support of EITI[1] since 2003.**
- ✓ Adherence to **Code of Best Tax practices**
- ✓ Registered at the **EU Transparency Register and US Lobby register**
- ✓ **Remuneration** disclosure

Promoting a low emissions strategy

- ✓ **3.1** million tons GHG emissions avoided by 2013
- ✓ **Additional avoidance** of **1.9** million tons GHG emissions by 2020
- ✓ **Committed to the 2DS ambition**

Ethical conduct Anti-corruption

- ✓ **Ethics and Conduct Code recently reviewed.**
- ✓ **Anticorruption policy**
- ✓ **Crime prevention** model

1.- EITI: Extractive Industry Transparency Initiative

Follow our contribution to sustainable development at: https://www.repsol.energy/en/sustainability/index.cshtml

Our commitments to sustainability

Promoting a low emissions strategy

Energy Efficiency and Climate Change

Our position on climate change

- **At Repsol, we share society's concern over the effect that human activity is having on climate and we believe that two global goals have to be pursued:**
  - ✓ *To fight against climate change and*
  - ✓ *To provide access to affordable energy in order to support economic growth and development*

- **We set up and deploy ambitious energy efficiency programs to reduce energy consumption and GHG emissions as one of the key elements of our strategy.** These programs pursue long term targets which have been made public in order to facilitate their progress by the stakeholders.

- **We consider natural gas as the most cost effective solution to promote a structured transition to a low emissions future, specifically in the power generations field**. In this sense, our upstream portfolio evolves towards greater percentage of gas versus oil (about 65% in production and 75% in reserves).
- We are convinced that **innovation and technological development** are essential for ensuring reliable and sustainable energy supply in the long term.

- **We support carbon pricing** as a policy framework that will contribute to provide our businesses with a clear roadmap for future investments.

Our commitments to sustainability

Promoting a low emissions strategy

Energy Efficiency and Climate Change

Our objective: to avoid 1,9 million tons of GHG emissions annual run rate by 2020.

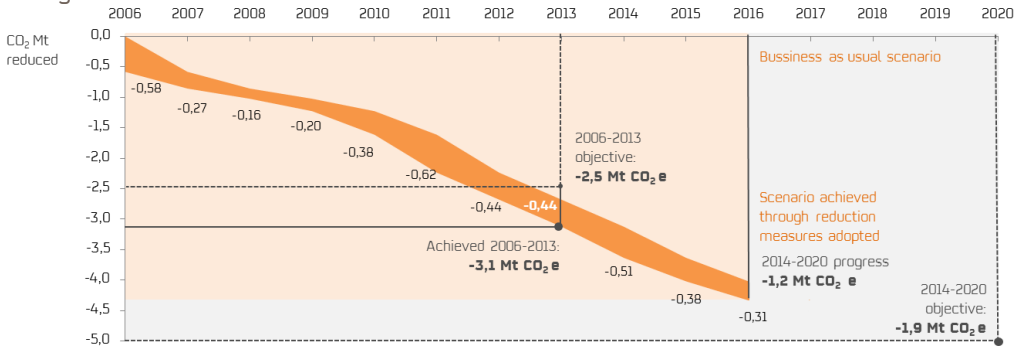
Board of Directors Commitment

Josu Jon Imaz. CEO, Repsol

- "We must be ambitious in our emission reduction targets and flexible in how we deliver them. We uphold a new model in which the war on climate change, growth and competitiveness are mutually reinforcing".
- "Decisive and collaborative action is the key to solving one of the greatest challenges of the humanity has ever faced – meeting the planet´s ever – greater energy needs while ensuring sustainability"

Progress

- About **150 efficiency actions** are taken every year.
- **Around 500 M€ of investments** planned in GHG emissions reductions and energy efficiency measures by 2020.
- Repsol continues implementing a **global energy management system** (EnMS) under ISO 50001 standard.
- We are working to **recognize and reduce the GHG emissions of our products**.
- **Numerous R&D+I research projects**: Polyol polycarbonate eco-design pilot using CO_2 as raw material an reducing carbon footprint
- Repsol is working to define a plan to mitigate methane emissions and has recently endorsed the **Climate and Clean Air Coalition initiative – O&G Methane Partnership** promoted by UN Environment
- The company has also endorsed **World bank Zero Routine Flaring by 2030 initiative**
- We support the **Paris Agreement** and we are working to ensure that our company is an active part of the solution to climate change.



CLIMATE & CLEAN AIR COALITION
TO REDUCE SHORT-LIVED CLIMATE POLLUTANTS

WORLD BANK GROUP

Our commitments to sustainability

Promoting a low emissions strategy

Energy Efficiency and Climate Change

Moving from stakeholders engagement to partnerships

Investors Roadshow

- Repsol hosts periodic meetings with Environmental, Social and Governance (ESG) investors in order to explain its sustainability and climate change strategy.

Sustainability Report

Carbon Pricing

Paying for Carbon Coalition (PfCC)

Transparency

Repsol has been recognized as one of the best O&G companies for its Carbon Strategy.

In 2016 our global score has been A-

	2010	2011	2012	2013	2014	2015
Maximum score of the Energy Sector (Disclosure)	90	92	98	98	100	100
Repsol score (Disclosure)	88	89	98	98	96	100
Repsol score (Performance)	A	B	A-	B	B	B

Climate Change Initiatives

OGCI – Oil& Gas Climate Initiative

Repsol joint the initiative in June 2015.

In November 4th, the initiative launched the OGCI Climate Investments.

It has been set up to invest **one billion dollars over the next decade** to accelerate the development of innovative technologies that, once commercialized, have the potential to **reduce greenhouse gas emissions on a significant scale**.

OGCI announcement stage line-up (from left – right): Claudio Descalzi, CEO, Eni; Josu Jon Imaz, CEO Repsol; Amin Nasser, CEO Saudi Aramco; Bob Dudley, CEO BP; Ben van Beurden, CEO Shell; Eldar Sætre, CEO Statoil; Patrick Pouyanné, Chairman & CEO, Total

Green Bond Framework

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Green Bond Framework

Description

Repsol Green Bond Framework has been developed with the aim of providing transparency, disclosure, integrity and clarity to investors, and follow the ICMA's Green Bond Principles

- Repsol's Green Bond Framework objective is to **avoid GHG emissions** through the implementation of energy efficiency and low emissions technology investments.
- According to the commitment to energy efficiency and fighting against climate change, Repsol has an **ongoing** plan with the objective to **reduce 1.9 million tons of GHG emissions annual run rate by 2020.**
- **Eligible projects** for the Green Bond will be the refinancing of implemented projects and financing of, or investments in, two Eligible Projects categories solely in our production facilities:
  - ✓ a) Energy efficiency projects
  - ✓ b) Low emissions technologies
- Eligible Projects include new and on-going eligible investment projects with disbursements since 2014 up to 3 years after to the Green Bond issuance. Currently, the Green Bond scope is 100% focus on the downstream activities, refineries and chemical facilities, in Spain and Portugal to operation improvement
- The eligible investments projects must have a **positive environmental impact** and shall be aligned with the sustainability policies defined by Repsol under its Sustainability Model.
- Eligible projects identified:

	Proceeds %	Nº of Projects	Mt CO2eq
Total eligible projects	100	312	1.2
Refinancing projects	53	179	0.7
Financing projects	47	133	0.5

"Vigeo Eiris confirms that the Bond intended by Repsol is a "Green Bond" with positive contribution to sustainable development, aligned with the Green Bond Principles "

A copy of the full report from Vigeo – Second Party Opinion on the Sustainability of Repsol´s Green Bond – is available at https://www.repsol.energy

Green Bond Framework

Green Bond Principles Compliance

Repsol Green Bond Framework complies with the ICMA's four core Green Bond Principles:

Use of Proceeds

- Proceeds will be allocated to investment projects aimed to **decrease GHG emissions by 1.2 millions of tons of CO2eq**. The GHG emissions reduction plan includes operating improvement actions with no associated investments. Both contribute to meet the avoidance of 1.9 millions of tons of GHG emissions annual run rate by 2020.
- Two Eligible Projects categories in our production facilities: energy efficiency projects and low emissions technologies .

Project Evaluation and Selection

- Repsol commits to ensure the **responsible management and sustainable value** of the eligible projects through the integration of ESG criteria , at project level, applying to the whole business divisions of the group, according to its Sustainability Policy.
- The process of evaluation and selection of projects includes from the proposal of the potentially eligible projects by the Technical Management according to profitability and the GHG emissions avoided, to the monitoring at Corporate level by the Sustainability Division, the Executive Steering Committee and the Green Bond Committee.

Management of Proceeds

- The use of proceeds will be allocated to the **eligible projects** selected. In case of asset divestment or cancellation of a project, Repsol will use the net proceeds to finance other Eligible Projects which are compliant with the current Green Bond framework.
- An independent Third Party will verify annually the reporting metrics and the compliance with the Green Bond Principles until the allocation of the net proceeds .

Reporting

- Repsol will disclose an external public report **on an annual basis** providing: i) the proceeds allocation in respect of the Eligible Projects ii) GHG emissions avoided arising from these Eligible Projects for each category on an aggregate basis by technical typologies, and activity .

Financial Position

4

Financial Position

Financial Strategic Plan 2016 - 2020

Sound track record in managing adverse conditions

Resilient Plan with stronger business profile

Conservative financial policy

Commitment to reduce debt and maintain investment grade

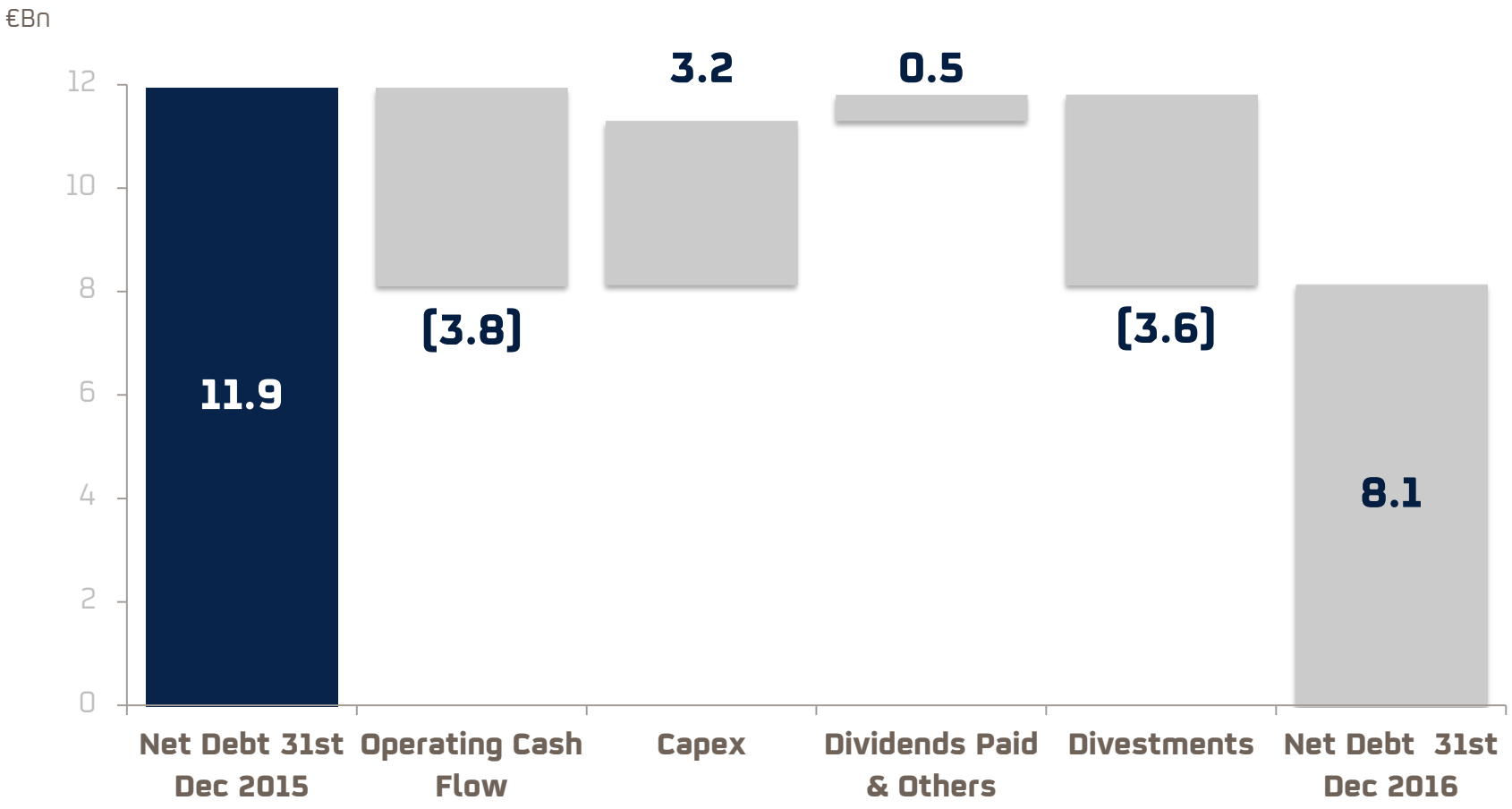
The three Rating Agencies, Standard & Poor's, Moody's and Fitch, confirmed and maintained our ratings, BBB-, Baa2 and BBB respectively.

Commitment to maintain shareholder compensation in line with current company level

Maintenance of investment grade is fundamental to our long term strategy

Financial Position

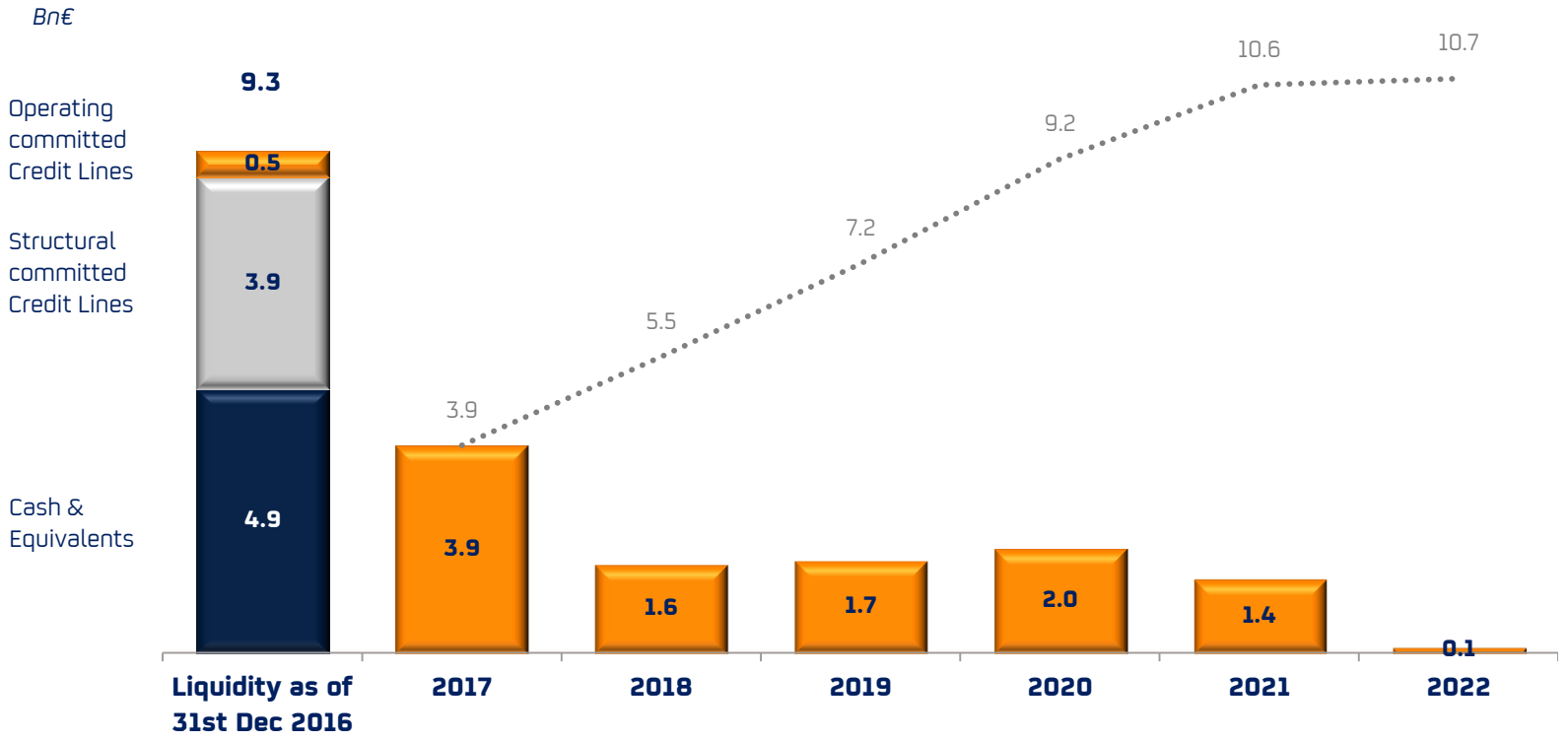
Net Debt Evolution



Targeting FCF Breakeven at $40/Bbl

Financial *Position*

Strong Liquidity Position



Liquidity covers long term debt maturities beyond 2020
Cash exceeds 1.3x short term maturities

Conclusions

- Strategy to create **sustainable value and resilience** through the **integrated model and flexibility**
- **Maintenance of investment grade** is fundamental to our long term strategy however the objective is to obtain a credit rating of BBB stable thanks to a conservative financial policy
- **Long term commitments to sustainability** and clear implementation path of measures to reach them
- **Totally committed with a low-emissions future**: Ambitious energy efficiency programs to reduce energy consumption and GHG emissions as one of the key elements of our strategy
- Repsol has the ability to issue a green bond following the **ICMA's Green Bond Principles** (certified by a third party)

Green Bond Framework

For ESG enquiries speak to us by calling (+34) 91 753 55 48, or alternatively, you can send us an email to investorsrelations@repsol.com

Annexes

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Green Bond Framework

External review highlights

"Vigeo Eiris confirms that a Bond intended by Repsol to be a "Green Bond" with positive contribution to sustainable development, would be aligned with the Green Bond Principles.

Vigeo Eiris reaches a reasonable level of assurance on the Bond contribution to sustainability:

- ***Issuer**: Repsol displays an overall robust ESG performance :*
  - ✓ *Repsol is the leading performer out of 14 European companies in Vigeo Eiris' "Energy" sector and achieves advanced performance for its Social pillars, while the Environmental and Governance domains are robust.*
  - ✓ *Vigeo Eiris' assurance that ESG risk factors of Repsol are adequately managed is reasonable, including reputational, human capital, legal and operational risks.*

- ***Issuance:** The Issuer's Green Bond framework is coherent with Repsol's main strategic priorities and is considered to be robust .*
  - ✓ *The net proceeds of the Green Bond will be used to finance and refinance Eligible Projects aimed to avoid GHG emissions and contribute to climate change mitigation, in line with two United Nations Sustainable Development Goals. Objectives and expected benefits associated with the Eligible Projects are visible, precise, relevant and measurable.*
  - ✓ *The processes for categorisation, evaluation and selection of Eligible Projects are clearly defined, made publically available on Repsol's website, and robust in terms of transparency, bond governance and relevance of defined process and eligibility criteria.*
  - ✓ *The rules for the management of proceeds are clearly defined by the Issuer and would enable a documented and transparent allocation process, based on robust management of proceeds commitments.*
  - ✓ *The Issuer is committed to report annually, publically and until the net proceeds are fully allocated. The reporting commitments and process are robust, covering the fund allocation and environmental benefits of financed projects , reaching an overall reasonable level of assurance on its capacity to report on the Green Bond's use and impacts.*

Beyond the Green Bond Principles requirements, in line with international standards, some ESG factors have been integrated in the evaluation and selection process, covering main ESG risks related to the Eligible Projects. Regarding monitoring and reporting on ESG management, Repsol will report at corporate level through its annual Sustainability Report, and disclose ESG information at facility level (i.e. site sustainability plans), based on a set of ESG KPI".

A copy of the full report from Vigeo – Second Party Opinion on the Sustainability of Repsol´s Green Bond – is available at https://www.repsol.energy

Green Bond Framework

Categories and technical typologies

Category 1: Energy Efficiency

- Upgrade of equipment: Heat

  Our facilities consume large amount of energy and this energy is produced in heat equipments as boilers, furnaces, etc. Their operation and improvement is a key issue in order to improve our energy performance.

- Upgrade of equipment: Dynamic equipment

  Fluids are moved using dynamic equipments as pumps, compressors, etc. They need a significant amount of energy to work.

- Improvement of operating criteria

  The way facilities are operated is key in order to reduce energy consumption.

- Energy integration

  A cross linked grid with hot and cold streams are working on the facilities. Taking advantage of the opportunity to integrate heat cold streams with hot streams is a key optimization vector in our industrial complexes.

- New units / process scheme modification

  Sometimes major modifications are needed in order to update old process units. These new units are more efficient than previous one.

- Network optimization

  Networks have to be operated in optimal conditions avoiding leaks, unnecessary distances, improve equipment and pipes isolation, etc.

Category 2: Low Emissions Technologies

This category includes other GHG emissions reduction projects no related to energy efficiency one. Precisely, the technologies included will be limited exclusively to the following topics:

- ✓ methane emissions mitigation (associated with our gas production plants and gas pipelines),
- ✓ reduction of flaring and venting and
- ✓ alternative power generation.

Green Bond Framework

Examples of eligible projects

Air preheater modifications in Coker and Vacuum furnaces units

- Conversion units furnaces were design with air preheaters in order to increase their operation efficiency.
- Currently there are technologies (plate exchangers) that allow to increase heat recovery and the amount of flue gases from different units.
- Blowers air / flue gases have limitations when the load of the process units is increased, that is why it is necessary to redesign the system.
- As a result of this high flue gas temperatures and furnace loss efficiencies are obtained.

Location	Cartagena - Spain
Typologie	1. Upgrade of equipment: Heat
Date of Start	2016
CO2 reduction	11,000 t/y CO_2

Replacement steam turbine 621KT-51 by electric motor with speed mechanical regulation

- Raw Gas Compressor (621K-51) is the recycling compressor in Unit 621 (Catalytic Reforming process nº 2) in Puertollano Industrial Complex. It is powered by a condensation turbine (Consumption = 8,3 t/h medium pressure steam).
- The recycling gas flow depends on the process conditions and load of the unit. The current regulation system doesn´t work in optimal conditions (vibration problems) at low flow rates and steam consumption is higher than necessary.

Location	Puertollano - Spain
Typologie	2. Upgrade of equipment: Dynamic Equipment
Date of Start	2016
CO2 reduction	8,300 t/y CO_2