



## REPORT OF THE AUDIT AND CONTROL COMMITTEE ON THE INDEPENDENCE OF THE EXTERNAL AUDITOR

### 1. Introduction

This Report is issued by the Audit and Control Committee (“the Committee”) of the Board of Repsol S.A. (“the Company”) in accordance with section 529 *quaterdecies* of the Companies Act (*Ley de Sociedades de Capital*) as amended by Spanish Law 22/2015 of 20 July on Auditing Services (*Ley 22/2015, de 20 de julio, de Auditoría de Cuentas*, “Spanish Auditing Services Act”).

The above section states that the Committee must issue an annual report prior to the signing of the audit report, expressing its opinion regarding the independence of the auditor of the Company’s accounts and evaluating any additional services provided to the Company or to entities within its Group or affiliates other than the statutory audit work.

### 2. Report of the Committee

#### 2.1 Information from the external auditor

The audit partner responsible for auditing the individual and consolidated financial statements has informed the Committee that during the work the external auditors have had access to all the necessary information and have received all the cooperation from Group employees necessary to carry out its activities.

From 1 January 2018 until the date of this Report (including today’s meeting), the audit partner responsible for auditing the individual and consolidated financial statements and other representatives of the external auditor have attended eight Committee meetings, and at no stage have they mentioned any situation during the course of their work that could have compromised their independence. The details of the matters considered by the external auditor at the meetings it has attended are specified in **Appendix I**.

Similarly, in accordance with paragraph e) of section 529 *quaterdecies* of the Companies Act, today the Committee received written confirmation from the external auditor of its independence from the Repsol Group and its compliance with the independence regulations established under the applicable regulations. A copy of the above-mentioned document is attached as **Appendix II**.



## *2.2. External auditor services and fees*

In 2018, the amount of the fees approved for the auditing work carried out by PricewaterhouseCoopers Auditores, S.L. and its organisation (“PwC”)<sup>1</sup> for the Company and companies in its Group amounted to €6.6 million.

In addition, the fees approved for PwC for professional services relating to auditing and other services amounts to €700,000 and €200,000 respectively. A breakdown of the above-mentioned services and amounts is included as **Appendix III**. As at 31 December 2018, the services provided other than audit work comprised 11% of the total amount of the fees of PwC.

## *2.3. Auditor rotation*

In accordance with the Spanish Auditing Services Act, the object of which is to adapt Spanish legislation to European regulations governing auditing of accounts,<sup>2</sup> the term of appointment of statutory auditors in the case of public interest entities (which includes listed companies) cannot be less than three years nor more than ten years. The term may only be extended by a maximum of four years in the event that other auditors or audit firms are simultaneously engaged.

In the case of the Company and its consolidated group, following the regulatory changes introduced by the Spanish Auditing Services Act relating to rotation of external auditors, the Committee agreed to initiate a process to select a new auditor for the period from 2018-2020, defining the guidelines for the selection process and the criteria to be taken into account for selection of the best offer, which was subsequently presented to the Board.

In accordance with the applicable legislation, on 19 May 2017 the proposal for appointment of PwC as the new auditor of Repsol Group for the above-mentioned period was submitted to the General Meeting of Shareholders. The proposal was approved by 99.816% of the share capital present or represented at the Meeting, and as a result 2018 was the first financial year with PwC as the auditor of Repsol Group.

In addition, the applicable legislation requires that in the case of listed companies there must be a rotation of the auditor signing the audit report every five (5) years from the date of the initial contract. In this respect, it is declared that 2018 is the first year for Mr. Iñaki Goiriena Basualdu, currently the audit partner signing the audit report for the Group, as auditor of Repsol Group.

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<sup>1</sup> In accordance with the Shareholder resolution dated 19 May 2017, the new auditor of the Repsol Group for 2018-2020 is PwC, with 2017 being the last year audited by Deloitte. Deloitte completed its work for 2017 in the first months of 2018.

<sup>2</sup> Directive 2014/56/EU and Regulation (EU) No. 537/2014, both dated 16 April 2014.



#### *2.4 Pre-approval by the Committee of external auditing services*

As part of its work to monitor the independence of the external auditor, in 2003 the Committee agreed upon a procedure for pre-approval of all the services, whether audit-related or not, provided by the external auditor, regardless of their scope, field and nature. Prior to the approval of services, information is requested on the scope of the work to be carried out, the Company of the Group that will receive the services, prior cases with similar circumstances and context, confirmation of the independence of the external auditor and the percentage of non-auditing services with respect to the total amount of the auditor's fees for the year to date, including the service to be approved.

The Committee has also delegated powers to the Chairperson of the Committee enabling him/her to authorise urgent services required from the external auditor during the period between Committee meetings. These authorisations are submitted to the Committee for ratification at its next meeting.

This procedure is regulated by the internal regulation "*Approval of services to be provided by the audit firm*" (Code 00-00093NO), which is mandatory for the entire Repsol Group.

By virtue of the above, during 2018 the Committee has approved all the services provided to Repsol Group by the external auditor and its organisation and has ratified the authorisations by its Chairperson with regard to certain services pursuant to the aforementioned delegation of powers. The Company's internal services have also duly verified that the services provided by the external auditor comply with the independence requirements established under the applicable regulations.

### **3. Conclusions**

Based on the above information, the Committee concludes that there are no objective reasons to question the independence of the external auditor of the Company and its Consolidated Group.

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## **APPENDIX I**

### **Matters notified to the Committee by the External Auditor**

The Committee has regularly received information from the external auditor regarding: (i) execution of the audit plan and the results of its execution; (ii) relevant matters arising during the course of the audit work; and (iii) the notifications and recommendations made to the Management of the Company during the audit process.

From 1 January 2018 through to the date of preparing this report, the Committee was informed by the external auditor of the matters mentioned above at the following meetings:

- 30 January 2018: Report by Deloitte on the review of the Impairment Test for 2017.
- 23 February 2018: Concluding Report by Deloitte on the audit of the consolidated financial statements of Repsol Group and the individual financial statements of Repsol for the year ending 31 December 2017; confirmation of its independence, the main aspects of the audit and the conclusions regarding the effectiveness of the Company's internal control and risk management systems in relation to the financial reporting process.
- 3 April 2018: Report by Deloitte on the review of the Financial Statements of Repsol International Finance, B.V. for 2017.
- 03 May 2018: Report on the limited review by PwC of the abridged consolidated financial statements as at 31 March 2018, including information on the most relevant aspects highlighted in its review.
- 24 July 2018: Report on the limited review by PwC of the abridged half-yearly financial statements as at 30 June 2018, including information on the most relevant aspects highlighted in its review.
- 29 October 2018: Report on the limited review by PwC of the abridged consolidated financial statements as at 30 September 2018, including information on the most relevant aspects highlighted in its review.
- 18 December 2018: Report by PwC on the status of the audit of the financial statements of Repsol, S.A. and its consolidated Group for the 2018 financial year.



- 29 January 2019: Report by PwC on the status of the audit of the financial statements of Repsol, S.A. and its consolidated Group for the 2018 financial year; review of the impairment tests for Upstream assets; and the situation in Venezuela.



**APPENDIX II**  
**Confirmation of Independence of the External Auditor**



*This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.*

## INDEPENDENT VERIFICATION REPORT

To the shareholders of Repsol, S.A.:

Pursuant to Article 49 of the Code of Commerce, we verified, under a limited level of assurance, the accompanying Statement of non-financial information (hereinafter "NFS") for the year ended 31 December 2018 of Repsol, S.A. and subsidiaries, making up the Repsol group (the Group), which forms part of the Group's consolidated management report.

The content of the consolidated management report includes information additional to that required by current mercantile regulations which has not been covered by our verification work. In this respect, our work was limited solely to verifying the information identified in Appendix V "Statement of non-financial information" and Appendix IV "GRI-Standard Index" in the accompanying consolidated management report.

We also carried out a moderate level assurance engagement on the application of the principles of inclusivity, materiality and responsiveness in relation to the information included in the section "Materiality and Stakeholder Engagement" of Appendix III of the accompanying consolidated management report, prepared in accordance with AA1000 AccountAbility Principles Standard 2008 (AA1000APS), issued by AccountAbility.

### Responsibility of the Directors

The preparation of the NFS included in the Group's consolidated management report and the content thereof are the responsibility of the Directors of Repsol, S.A. The NFS has been drawn up in conformity with the provisions of prevailing mercantile regulations and the Sustainability Reporting Standards of the Global Reporting Initiative ("GRI Standards") in accordance with the Core Option and Oil and Gas Sector Disclosures of the GRI G4 Guidelines (Oil & Gas Sector Disclosures), in line with the details provided for each matter in the tables included in Appendix V "Statement of non-financial information" and Appendix IV "GRI-Standard Index" of the consolidated management report.

This responsibility also includes the design, implementation and maintenance of the internal control considered necessary to ensure that the NFS is free from material misstatement due to fraud or error.

The directors of Repsol, S.A. are also responsible for defining, implementing, adapting and maintaining the management systems from which the information required to prepare the NFS is obtained as well as for the application of Standard AA1000APS (2008).

### Our independence and quality control

We have complied with the independence requirements and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants ("IESBA"), which is based on the fundamental principles of integrity, objectivity, professional competence and professional due care, confidentiality and professional behaviour.

PricewaterhouseCoopers Auditores, S.L., Torre PwC, Pº de la Castellana 259 B, 28046 Madrid, España  
Tel.: +34 915 684 400 / +34 902 021 111, Fax: +34 915 685 400, www.pwc.es

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Our firm applies the International Standard on Quality Control 1 (ISQC 1) and therefore has in place a global quality control system which includes documented policies and procedures related to compliance with ethical requirements, professional standards and applicable legal and regulatory provisions.

The engagement team was made up of professionals specialising in non-financial information reviews and specifically in information on economic, social and environmental performance.

### **Our responsibility**

Our responsibility is to express our conclusions in an independent verification report to a limited level of assurance based on the work carried out in relation solely to fiscal year 2018. The data relating to previous years were not subject to the mandatory verification envisaged in current mercantile regulation. Our work was carried out in accordance with the requirements laid down in the current International Standard on Assurance Engagements 3000 (revised), "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (ISAE 3000 Revised) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and with the Guidelines for verification engagements on non-financial statements issued by the Spanish Institute of Auditors ("Instituto de Censores Jurados de Cuentas de España"). Additionally, we carried out our moderate level assurance engagement (type 2) in accordance with AA1000 Assurance Standard issued by AccountAbility.

In a limited assurance engagement, the procedures performed vary in terms of nature and timing, and are more limited than in a reasonable assurance engagement. Accordingly, the assurance provided is lower.

Our work consisted of posing questions to Management and various Group units that were involved in the preparation of the NFS, the review of the processes for compiling and validating the information presented in the NFS and the application of certain analytical procedures and review sampling tests, as described below:

- Meetings with Group personnel to understand the business model, policies and management approaches applied and the main risks related to these matters, and obtain the information required for the external review.
- Analysis of the scope, materiality and completeness of the content of the NFS for 2018 based on the materiality analysis performed by the Group, which is described in the section "Materiality and Stakeholder Engagement" of Appendix III of the consolidated management report, taking into account the content required by prevailing mercantile regulation.
- Analysis of the procedures used to compile and validate the information presented in the NFS for 2018.
- Review of information concerning risks, policies and management approaches applied in relation to material matters presented in the NFS for 2018.
- Analysis of the documentation and actions performed in relation to the principles of inclusivity, materiality and responsiveness of the AA1000APS (2008).
- Verification, through sample testing, of the information relating to the content of the NFS for 2018 and its adequate compilation using data supplied by Group information sources.
- Obtainment of a management representation letter from the Directors and Management.



## **Conclusion**

Based on the procedures performed in our verification and the evidence we have obtained, no matters have come to our attention that might lead us to believe that:

- The Group's NFS for the year ended 31 December 2018 has not been drawn up, in all significant respects, pursuant to prevailing mercantile regulations and GRI standards, in conformity with the Core Option and the Oil and Gas Sector Disclosures, in accordance with each topic in the tables included in Appendix V "Statement of non-financial information" and Appendix IV "GRI-Standard Index" in the consolidated management report.
- The information included in the section "Materiality and Stakeholder Engagement" of Appendix III of the consolidated management report, relating to the application of the principles of inclusivity, materiality and responsiveness, has not been prepared in all material respects, in accordance with the content of the AA1000APS (2008).

## **Recommendations**

With respect to the observations and recommendations for improvement arising in the course of our assurance engagement, set out below is a summary of the main recommendations for improvement in the application of the principles of inclusivity, materiality and responsiveness under the AA1000APS (2008), which do not modify our assurance conclusion expressed in this report.

### *Inclusivity:*

The Group is committed to its stakeholder relationships and during 2018 updated its analysis of materiality, enabling it to more accurately reflect the current context in which it operates and carries out activities. As indicated in the section "Materiality and Stakeholder Engagement" of Appendix III, the stakeholders involved were employees, investors and ESG (environment, social and corporate governance) analysts, companies in the value chain (vendors and contractors), civil society organisations and the media.

In order to improve stakeholder representativeness and inclusivity, once stakeholders are identified at an overall level, they should be prioritised in order to focus enquiries and regular surveys, promoting and strengthening additional communication channels. This will enable early identification of emerging topics to be addressed in the materiality analysis.

### *Materiality:*

Updating the materiality study in 2018 entailed analysing new information sources, specifically, the 2018 Sustainability Risk Matrix, the update of the Strategic Plan to 2020 and the Group's Global Sustainability Plan, among others. Including these information sources has enabled the valuation of the relevance of material matters to be adjusted from an internal viewpoint and the review of the prioritisation criteria and materiality thresholds.

From an external viewpoint, in addition to conducting enquiries and surveys of stakeholders, in 2018 the Group carried out specific Roadshows of social, corporate governance and environmental matters in order to learn its stakeholders' opinion first hand and its positioning with respect to these matters. In this respect, in order to improve and deepen its understanding of the significance for stakeholders and prioritise material matters, it is recommended that enquiries are updated regularly and extend the sample to all countries with significant operations.



*Responsiveness:*

During 2018, the Group continued to make progress on the approval of new Local Sustainability Plans, permitting the local definition of the six action components of the Global Sustainability Plan (Climate Change, People, Safe Operation; Environment, Innovation and Technology, Ethics and transparency). Specifically, new Local Sustainability Plans were published in Vietnam, Malaysia, Indonesia, Norway, and Libya and in the industrial centre of Sines (Portugal) in 2018.

Progress should continue to be made on the implementation of Local Sustainability Plans. Also, in order to strengthen the Group's responsiveness, and align decision making and actions to be implemented, impact should be factored in as a variable in the materiality analysis.

**Use and distribution**

This report has been drawn up in response to the requirement laid down in prevailing Spanish mercantile regulation and therefore might not be suitable for other purposes or jurisdictions.

PricewaterhouseCoopers Auditores S.L.

A handwritten signature in blue ink, appearing to be 'Pablo Bascones', written over a faint, light blue circular watermark or background.

Original in Spanish signed by Pablo Bascones

28 February 2019





### APPENDIX III Breakdown of related and other services

Thousands of euros

Description	2018	Requirement	Report Type
<b>Other related services</b>	<b>683</b>		
<b>Required by regulations</b>	<b>103</b>		
CORES Report (Repsol Butano, S.A.; Repsol Comercial de Productos Petrolíferos, S.A.; and Societat Catalana de Petrolis, S.A.)	45	Corporation for Strategic Reserves of Petroleum Products (CORES) - RD 1766/2007	Balance sheet of stock, sales and purchases (physical units).
Reports of the National Securities Market Commission (CNMC) (Repsol Petróleo, S.A. and Societat Catalana de Petrolis, S.A.)	33	Circular 1/2013 of the National Energy Commission implementing Ministerial Order ITC/2877/2008	Special report on the balance sheet of biofuel and other renewable fuels.
ECOEMBES report (Campsared; Repsol Butano, S.A.; and Lubricantes y Especialidades, S.A.)	15	Regulations for the Review of Annual Packaging Declarations issued by ECOEMBES, regarding the Annual Packaging Declaration	Verification of the turnover declared to ECOEMBES.
Certifications for share capital increases in certain countries (Repsol Exploración Libreville, S.A. and Repsol Norge AS)	6	Local regulations of Gabon and Norway	Certification of capital contributions by the partner.
Certification of the opening of the profit and loss account by operating contract (Repsol E&P Bolivia, S.A.)	4	Ministerial Resolution 387-12 (Bolivia)	Statement of Profit and Loss broken down by operating contract to determine the tax applicable to the earnings of companies.
<b>Required due to contractual obligations</b>	<b>311</b>		
“ Joint Operating Agreements —JOAs ” with partners: (i) Report on rates (Repsol Exploración Argelia, S.A.; Repsol E&P USA; Repsol Exploración, S.A. and Repsol Exploración Murzuq, S.A.); (ii) Report on billing to partners (Repsol E&P Bolivia, S.A. and Repsol Exploración Norge AS)	176	Joint Operating Agreement	(i) Procedures agreed relating to the review of the rates for costs of E&P projects and (ii) report on billing to partners.
Comfort Letters	101	Contract with the banks participating under the issue programme	Comfort Letter for issues of bonds admitted for trading on the Luxembourg Stock Exchange and for renewal of the EMTN programme of Repsol International Finance, B.V.
Green bonds (Repsol, S.A.)	22	Commitment assumed with bondholders	Verification of disbursed funds and reduction of CO2 emissions.
Certifications for insurance — Oil Insurance (Gaviota RE)	12	Shareholder's Agreement with “Oil Insurance”	Determination of the value of the gross assets for calculation of insurance premiums.
<b>Other</b>	<b>269</b>		
Verification reports: (i) reconciliation of net equity from local accounting standards to generally accepted accounting practice in Spain; (ii) financial statements by sections- Exploration and Production; (iii) review of the balance sheet and statement of profit and loss of Tax Group 6/80 (Spain)	134	Internal	Report on agreed verification and financial information procedures.
Report on subsequent events for shareholders	21	Shareholders	Report on subsequent events required for the Audit of SACYR Group.
Report on sustainability indicators — Corporate Social Responsibility (Spain and Peru)	114	Internal	Review of the Corporate Social Responsibility Report.
<b>Other services</b>	<b>164</b>		
<b>Tax</b>	<b>13</b>		
Review of the prices for transfer of Canadian companies (*)	13	Internal	Tax review work.
<b>Other services</b>	<b>151</b>		
Advice regarding the computer tool for monitoring of Exploration and Production projects	141	Internal	Consultancy work.
Training course on international accounting regulations	10	Internal	Employee training.

(\*) Work carried out by Deloitte during its tenure as auditor of the Group.