

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer Transition Financing Framework

Repsol SA
2 March 2022

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	<ul style="list-style-type: none">• Use of Proceeds Financing Instruments• Sustainability-Linked Financing Instruments
Relevant standards	<ul style="list-style-type: none">• Green Bond Principles, Sustainability-Linked Bond Principles, Climate Transition Finance Handbook as administered by the International Capital Market Association (ICMA)• Green Loan Principles and Sustainability-Linked Loan Principles as administered by the Loan Market Association (LMA)
Scope of verification	<ul style="list-style-type: none">• Repsol Transition Financing Framework
Lifecycle	<ul style="list-style-type: none">• Pre-issuance verification
Validity	<ul style="list-style-type: none">• As long as Repsol's Transition Financing Framework remains unchanged

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SCOPE OF WORK

Repsol commissioned ISS ESG to assist with its Transition Financing Instruments by assessing four core elements to determine the sustainability quality of the instrument:

1. Transition Financing Instruments' link to Repsol's sustainability strategy – drawing on Repsol's overall sustainability profile and related objectives.
2. Repsol's Transition Financing Framework and structural components of the transaction – benchmarked against the Green Bond Principles (GBPs) as of June 2021, Sustainability-Linked Bond Principles (SLBPs) as of June 2020 and Climate Transition Finance Handbook (CTFH) as of December 2020 as administered by the International Capital Market Association (ICMA); and against the Green Loan Principles (GLPs) as of June 2021 and Sustainability-Linked Loan Principles (SLLPs) as of May 2021 as administered by the Loan Market Association (LMA)
3. The Use of Proceeds sustainability quality – whether the project contribute positively to the UN SDGs and perform against ISS ESG's issue-specific key performance indicators.
4. The sustainability credibility of the KPI selected and Sustainability Performance Target (SPT) calibrated – whether the KPI selected is core, relevant and material to the issuer's business model and sector, and whether the associated target is ambitious.

REPSOL BUSINESS OVERVIEW

Repsol, S.A. operates as an integrated energy company worldwide. Its Exploration and Production segment engages in the exploration, development, and production of crude oil and natural gas reserves. The company's Industrial segment is involved in refining and petrochemicals; trading and transportation of crude oil and oil products; and the sale, transportation, and regasification of natural gas and liquefied natural gas. Its Commercial and Renewables segment engages in the low carbon power generation and renewable sources; sale of gas and power; mobility and sale of oil products; and liquefied petroleum gas activities. The company also offers asphalt products; installs, operates, and manages service stations; provides maritime services; constructs and operates oil refineries; refines and markets hydrocarbons; provides human resource services; distributes and supplies electricity; and develops new energy source, solar, and wind projects, as well as produces and markets chemical products, lubricants, and biofuels. Further, it is involved in fuel and special products marketing, research, trading and transport, insurance and reinsurance, technology development, and financing activities; develops nanoparticles and nanofibers for material, energy, and biomedicine applications; provides blockchain technology for retail, energy, and automotive sectors; produces synthetic oil cloths; invests in liquefaction plant project; and offers water treatment technology management services. Repsol, S.A. was founded in 1927 and is headquartered in Madrid, Spain.

ISS ESG SPO ASSESSMENT SUMMARY

SECTION	EVALUATION SUMMARY ¹
Part I.	Consistent with issuer's sustainability strategy
Transition Financing Framework link to issuer's sustainability strategy	According to the ISS ESG Corporate Rating published on 27.09.2021, the issuer shows a high sustainability performance against the industry peer group on key ESG issues faced by the Integrated Oil & Gas sector. The issuer is rated 1 st out of 33 companies within its sector and has obtained the "Prime" status which means that it achieves the sustainability performance requirements defined by ISS ESG for a specific industry in the ESG Corporate Rating. The Use of Proceeds categories, KPIs and SPTs defined through this framework are consistent with the issuer's sustainability strategy and material ESG topics for the issuer's industry. The rationale for issuing Transition Financing Instruments is clearly described by the issuer.
Part II.A.	Aligned with ICMA Green Bond Principles and LMA Green Loan Principles
Alignment with GBPs and GLPs	The issuer has defined a formal concept for its Transition Financing Framework regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the ICMA Green Bond Principles and LMA Green Loan Principles.
Part II.B.	Aligned with the ICMA Sustainability-Linked Bond Principles and LMA Sustainability-Linked Loan Principles
Alignment with SLBPs and SLLPs	The Issuer has defined a formal concept for its Sustainability-Linked financial instruments regarding the selection of KPI, calibration of Sustainability Performance Target (SPT), sustainability-linked financial instrument characteristics, reporting and verification. The framework is in line with the Sustainability-Linked Bond Principles administered by the ICMA and Sustainability-Linked Loan Principles as administered by the LMA.
Part II.C.	Implementation of the ICMA Climate Transition Handbook recommendations, with the exception of the recommendation for external verification
Implementation of CTFH recommendations	The Issuer has defined a formal Climate Transition Strategy relevant to the environmentally-material parts of its business model. There is a good disclosure of the various elements of its climate strategy and its importance to Repsol, such as the link between the executive remuneration with the implementation of the strategy. Repsol provides detailed transparency on the underlying investment program and on the type of investments till 2025. However, it currently cannot be verified whether the climate transition strategy is science-based as commonly established reference points to conduct such a benchmarking are currently not available for this sector. It is to be noted that Repsol is part of SBTI's working group for developing such reference points for the Oil and Gas Sector ² .
Part III.	Positive
Sustainability quality of the Use of Proceeds	The overall sustainability quality of the Selection Criteria in terms of sustainability benefits, risk avoidance and minimisation is good based upon the ISS ESG assessment. The UoP Financing Instruments will (re-)finance eligible project categories which include renewable energy, biofuels and biogas, clean transportation, hydrogen from renewable energy, carbon capture utilisation

¹ ISS ESG's evaluation is based on Repsol's Transition Financing Framework (March 2022 version) and on the ISS ESG Corporate Rating applicable at the SPO delivery date (updated on 27.09.2021).

² <https://sciencebasedtargets.org/sectors/oil-and-gas#development-process>

and storage, circular economy, energy efficiency, recycled carbon fuels, renewable transport fuels of non-biological origin and chemical products.

Those use of proceeds categories have a positive contribution to SDGs 7 'Affordable and clean energy', 12 'Responsible consumption and production' and 13 'Climate action' or no net impact on those objectives. The environmental and social risks associated with those use of proceeds categories have been well managed.

Part IV.

KPI selection: Relevant, Core, and Material to issuer's business model from an ESG perspective

**KPI selection
and SPTs
calibration**

Sustainability Performance Targets (SPTs) calibration:

- **Ambitious against issuer's past performance**
- **Ambitious against sectorial peer group, when using metrics other than the KPI selected**
- **Currently not benchmarkable against an international standard**

ISS ESG finds that the KPI selected is relevant, core and material to the issuer's business model and consistent with its sustainability strategy. It covers either 100% of the operations and activities of Repsol (if considering Repsol's own oil production), or 58% of the operations and activities, if also including oil supplied by other companies, which is refined by Repsol. The composite KPI is based on a calculation methodology that has been designed by Repsol (and also based on subfactors, of which some use the GHG Protocol), and therefore it cannot be benchmarked against reported data from sectorial peers or an external standard. Currently there is no commonly established reference points available in the Oil and Gas sector to conduct a benchmarking with an external standard. Otherwise, the KPI is appropriately measurable, quantifiable and externally verifiable. ISS ESG encourages additional disclosure on the avoided emissions and carbon sinks in the subfactors, in order to provide more transparency on the KPI.

ISS ESG finds that the SPTs calibrated by Repsol are ambitious against the company's past performance. The SPTs set by Repsol cannot be directly compared with the public commitments and targets from its peers because they use different metrics and calculation methodologies. According to an assessment³ by the Transition Pathway Initiative⁴, which involves modelling of the oil and gas companies' emissions intensities (thereby providing a consistent metric across the sector), and therefore based on indirect evidence, the SPTs are ambitious against Repsol's peers. In the absence of an international standard or benchmark for the sector, a review of Repsol's internal absolute CO2 emissions forecasts⁵ related to the intensity targets, shows that they are in line with the International Energy Agency (IEA) Sustainable Development Scenario (SDS) Oil and Gas demand projections for 2025, 2030, 2040 and 2050. In October 2021, Repsol announced its absolute net emissions targets for 2030, which provides additional transparency into the company's decarbonisation strategy. At the same time, Repsol announced more ambitious targets for its KPI for 2025, 2030 and 2040.

³ https://www.transitionpathwayinitiative.org/sectors/9/user_download

⁴ <https://www.transitionpathwayinitiative.org/publications/96.pdf>

⁵ ISS ESG was provided with Repsol's internal analysis showing how its internal absolute (Scope 1, 2, 3) CO2 emission reduction rate, which is related to its intensity targets, compares with the IEA SDS Oil and Gas demand projections

ISS ESG SPO ASSESSMENT

PART I: GREEN BOND LINK TO REPSOL'S SUSTAINABILITY STRATEGY

The ISS ESG Corporate Rating provides material and forward-looking environmental, social and governance (ESG) data and performance assessments.



This means that the company currently shows a high sustainability performance against peers on key ESG issues faced by the integrated oil & gas sector and obtains a Decile Rank relative to industry group of 1, given that a decile rank of 1 indicates highest relative ESG performance out of 10.

ESG performance

As of 22.11.2021, this Rating places Repsol 1st out of 34 companies rated by ISS ESG in the integrated oil & gas sector.

Key challenges faced by companies in terms of sustainability management in this sector are displayed in the chart on the right, as well as the issuer's performance against those key challenges in comparison to the average industry peers' performance.

Key Issue Performance



Sustainability Opportunities

As an integrated oil and gas company, the majority of Repsol's product portfolio is comprised of petroleum products. In its 2021-2025 strategy update, the company announced to expand its low-carbon business. The company aims at expanding its renewable energy generation capacity to 6 GW by 2025. Additionally, Repsol promotes the development of first-generation and advanced biofuels technologies as well as of other alternative fuels such as hydrogen. The company further plans to expand the production of non-fuel products such as its higher-value chemical products. Yet, compared to the company's core business that is focused on the refining and marketing of hydrocarbons, Repsol's revenues from renewable energies and alternative fuels can still be considered as minor. Thus, the company does not yet make a significant contribution to address global sustainability challenges, such as climate change. However, it does have an ambitious strategy to shift its product portfolio towards beneficial or at least more neutral products, allocating around 35% of CAPEX into low-carbon projects in 2021-2025.

Sustainability Risks

As an integrated oil and gas company with international presence, the company's main ESG risks relate to health and safety, human rights and business ethics in the social domain, and climate change management as well as reducing the environmental footprint of operations in the environmental sphere. The company has one of the most ambitious long-term carbon intensity reduction targets of the whole industry, i.e. a 55% reduction by 2040 and a 100% reduction by 2050 over 2016 levels including scope 1, 2 and 3 emissions. Repsol has taken credible steps towards reducing greenhouse gas emissions, e.g. through its membership in the Oil and Gas Climate Initiative (OGCI), by joining the World Bank Zero Routine Flaring by 2030 initiative, and by expanding the coverage of its ISO 50001-certified energy management system.

Moreover, Repsol demonstrates a sound performance in the areas of facility safety, emergency preparedness as well as contingency planning. Likewise, it applies a systematic approach to managing water and biodiversity risks and impacts (e.g. identifying areas with high levels of water stress, establishing Biodiversity Action Plans). However, while the company is currently developing a more comprehensive water strategy, it has not yet set up any group-wide quantitative freshwater use reduction targets. There is no company commitment to abstain from developing projects affecting protected areas and further areas of particular importance for biodiversity. Additionally, through the acquisition of Talisman Energy in May 2015 (now operating as Repsol Oil & Gas Canada Inc.), the company has become a significant user of high-volume hydraulic fracturing for the production of unconventional oil and gas (i.e. in the Marcellus, Eagle Ford and Montney shale plays), which is associated with several environmental concerns.

In the social sphere, Repsol has set up a comprehensive commitment to respect internationally recognised human rights and implemented sound practices with regard to human rights due diligence (e.g., commitment to uphold all relevant human rights, human rights impact assessment, and comprehensive stakeholder engagement). Repsol has in place adequate health and safety management systems for employees as well as contractors, most of them certified according to the OHSAS 18001 standard. Yet, the occurrence of contractor fatalities in 2018 and 2019 (though none in 2020) warrant further improvements.

While Repsol, like many of its peers, issues an annual report on payments to governments on oil and gas exploration and production activities, the company's tax policy is clearly one of the most advanced of the industry. Furthermore, Repsol's group-wide code of ethics and conduct covers important business ethics issues, and sound compliance procedures are in place.

Repsol has implemented a workforce downsizing program affecting 1,500 employees between 2015 and 2018. The company involved union organisations in the process and aimed at avoiding compulsory redundancies through incentivised early retirements.

Governance opinion

Repsol's governance structure partially allows for the effective supervision of management. Although the chair of the board of directors, Antonio Brufau Niubo, is not considered independent, a lead independent director improves the overall independence of the board (as at July 27, 2020).

Furthermore, 60% of the members of the board of directors are independent and predominantly independent committees in charge of audit, nomination and remuneration are established. The company discloses its remuneration policy for executives, including long-term incentive components.

A board committee in charge of sustainability matters has been created, with the majority of its members being independent. Sustainability performance objectives are integrated into the variable remuneration of the CEO and members of the executive management team. These are linked to the accident frequency rate, the reduction of greenhouse gas emissions and the implementation of Repsol's sustainability plan. Repsol's group-wide code of ethics and conduct covers important issues, such as corruption, antitrust violations, insider dealings and conflicts of interest at least in general terms. Sound compliance procedures are in place, comprising compliance training, compliance audits and whistle-blower channels to report breaches confidentially.

Sustainability impact of products and services portfolio

Using its own proprietary methodology, ISS ESG assessed the contribution or obstruction of Repsol's current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs). This analysis is limited to the evaluation of the final product characteristics of Repsol's current business model and does not include practices along Repsol's production process nor the contribution or obstruction of Repsol's future business strategy.

Based on the current data available, two of Repsol's product categories have an impact on the SDGs. Repsol's "hydrocarbons produced using high volume hydraulic fracturing", which comprise 2.5% of the company's revenues, cause an obstruction to SDG 6 (Clean Water and Sanitation). Its "Crude oil and natural gas liquids, conventional transportation fuels, and fuel oils", which comprise 77% of the company's revenues, cause an obstruction to SDG 7 (Affordable and Clean Energy) and SDG 13 (Climate Action). The other revenue sources are associated with product categories which cause no net impact on the SDGs.

Beyond the details in this assessment, Repsol has publicly announced efforts to support the 2030 Agenda since 2015, by linking its Sustainability strategy with the SDGs. They have outlined additional investments and capital expenditure which align with some specific SDGs. For example, they have identified the alignments to various SDGs for \$6.5bn of its CAPEX, which is 35% of the total between 2021 – 2025. This CAPEX is supported by the SLBs and UoP financing instruments that they would be issuing under this Framework.

Breaches of international norms and ESG controversies⁶

Repsol SA holds a 10% stake in the Camisea consortium natural gas project, which is implementing measures to prevent impacts on indigenous peoples in voluntary isolation or in "initial contact" in the Kugapakori-Nahua-Nanti Reserve (KNNR) in Block 88 in Peru where, according to an environmental impact assessment (EIA) report by the consortium's operator Pluspetrol SA, contact with indigenous people occurred in 2003. In December 2021 Repsol disclosed a report by an independent consultant reviewing the prevention and mitigation measures implemented by the consortium. The report notably highlighted that no new sightings or undesired contact with groups in isolation have been reported at Block 88 in recent years. Although the report acknowledges that, based on documentation provided by Pluspetrol and Repsol, "it would be difficult to assert" that the right to prior consultation was guaranteed, it assesses the relations between Pluspetrol and the communities to be "good", based on regular communication through community relations teams and social developments projects designed to satisfy the communities' demands. A 2012 complaint filed by the NGO Institute of Legal Defense of the Environment and Sustainable Development (IDLADS) requesting constitutional

⁶ As of 12 February 2022

protection (amparo) to safeguard the rights of people living in the KNNR is currently being reviewed by a Peruvian court of first instance. In dialogues with ISS ESG and investors, facilitated by ISS ESG since 2016, Repsol has disclosed steps taken to mitigate human rights risks at Block 88. In January 2022, the company emphasized that, in the EIA, Pluspetrol stated that, although there were sightings of people in “initial contact” in 2003, there have been no reported incidents in the project area over the last 15 years. Taking note of the consortium’s documented implementation of mitigation and prevention measures, and the absence of reported contacts in recent years, ISS ESG continues to monitor developments in the ongoing legal dispute.

B. CONSISTENCY OF USE OF PROCEEDS CATEGORIES WITH REPSOL’S SUSTAINABILITY STRATEGY *Key sustainability objectives and priorities defined by the issuer*

In October 2021, Repsol updated its 2021-2025 Strategic Plan – “Stepping up the Transition”, which outlines the company’s climate roadmap to net zero emissions in Scope 1, 2 and 3 by 2050. As part of this transition to become carbon neutral, Repsol has developed a carbon intensity indicator (“CII”) reduction commitments, with a baseline year of 2016, consisting of the following:

- 15% reduction of emissions by 2025
- 28% by 2030, and
- 55% by 2040.

Repsol conducted a scenario analysis that foresaw 5 main levers to achieve its emissions reduction targets:

- Operational Efficiency
- Portfolio Transformation
- Low carbon Fuels & Circularity
- Low carbon power generation and
- Technological Breakthroughs & Carbon sinks.

Through its Technology Lab, Repsol is developing projects focusing on solutions that contribute to climate change mitigation (such as hydrogen production without CO₂ emissions, fuel production from waste, carbon capture and use systems, residual heat in industrial processes recovery, and advanced biofuels).

Moreover, with 80% of its investment in energy transition initiatives, the Repsol Ventures Fund focuses on advanced mobility and renewables, low carbon and circular economy, and digital technology for assets optimization, with a current portfolio of 18 start-ups and taking part in OGCI CI Fund. The Repsol Venture Fund has already invested 34.8 mm EUR between 2016 and 2020.

Rationale for issuance

Corresponding to its “Stepping up the Transition” Plan, Repsol has developed the overarching transition framework to make it possible for the company to use all the available transition financing instruments in the market to fund the decarbonization levers defined above: (i) Efficiency, (ii) Portfolio Transformation, (iii) Low Carbon Fuels & Circularity, (iv) Low Carbon Power Generation,

(v) Technology Breakthroughs & Carbon Sinks. In doing so, Repsol will be better positioned to achieve its target of becoming carbon neutral by 2050.

Contribution of Use of Proceeds categories to sustainability objectives and priorities

ISS ESG mapped the Use of Proceeds categories financed under the Transition Financing Framework with the sustainability objectives defined by the issuer, and with the key ESG industry challenges as defined in the ISS ESG Corporate Rating methodology for the Integrated Oil & Gas sector. Key ESG industry challenges are key issues that are highly relevant for a respective industry to tackle when it comes to sustainability, e.g. climate change and energy efficiency in the buildings sector. From this mapping, ISS ESG derived a level of contribution to the strategy of each Use of Proceeds categories.

USE OF PROCEEDS CATEGORIES OR KPIs	SUSTAINABILITY OBJECTIVES FOR THE ISSUER	KEY ESG INDUSTRY CHALLENGES	CONTRIBUTION
USE OF PROCEEDS			
Renewable Energy	✓	✓	Contribution to a material objective
Biofuels and biogas	✓	✓	Contribution to a material objective
Clean Transportation	✓	✓	Contribution to a material objective
Hydrogen from Renewable Energy	✓	✓	Contribution to a material objective
Carbon Capture and Storage	✓	✓	Contribution to a material objective
Circular Economy	✓	✓	Contribution to a material objective
Energy Efficiency	✓	✓	Contribution to a material objective
Carbon Capture and Utilization	✓	✓	Contribution to a material objective
Recycled Carbon Fuels	✓	✓	Contribution to a material objective
Renewable Transport Fuels of Non-Biological Origin	✓	✓	Contribution to a material objective
Chemical Products	✓	✓	Contribution to a material objective
KPI FOR SUSTAINABILITY-LINKED BONDS			
Carbon intensity indicator	✓	✓	Contribution to a material objective

Opinion: ISS ESG finds that the Use of Proceeds financed through this bond and KPI selected for Sustainability-Linked Bond Transactions are consistent with the issuer’s sustainability strategy and are material ESG topics for the issuer’s industry. The rationale for issuing transition bonds is clearly described by the issuer.

PART 2: ALIGNMENT WITH ICMA PRINCIPLES

1. Use of Proceeds

FROM ISSUER'S FRAMEWORK

A. ICMA GREEN BOND PRINCIPLES

An amount equal to the net proceeds of Repsol's Use of Proceeds Financing Instruments will be earmarked to the (re)financing, in whole or in part, of existing or future Green Eligible Projects and/or Transition Eligible Projects.

In order to be earmarked as eligible the Projects must align with all of the following criteria:

Eligible types of Investments

(i) Capital expenditures and selected operating expenditures (such as maintenance costs that either increase the lifetime or the value of the Assets) of Physical Assets meeting the Eligibility Criteria described in the Use of Proceeds section of the Transition Financing Framework;

(ii) Research and development ("R&D") expenditures aiming at developing new products and solutions as per the Eligibility Criteria specified in the Use of Proceeds section of the Transition Financing Framework;

Lookback period

The net proceeds of each Use of Proceeds Financing instruments will be used to:

(i) Finance Green Eligible Projects and/or Transition Eligible Projects occurring post issuance of each financing instrument; and/or

(ii) Refinance disbursements to Green Eligible Projects and/or Transition Eligible Projects initiated up to 3 years prior to the year of execution of any Use of Proceeds Financing' issuance.

Green/Transition Eligible Projects Categories and Eligibility Criteria

Green Eligible Projects and Transition Eligible Projects are projects supporting the transition to a low-carbon economy in direct link with Repsol's Climate Roadmap as described in the first section of the Transition Financing Framework. In order to ensure that all Green and Transition Eligible Projects provide environmental benefits and that all Transition Eligible Projects are contributors to Repsol's transition levers to achieve net zero emissions by 2050, they must fall into and comply with at least one of the following Project Categories and Eligibility Criteria respectively.

Green and Transition Eligible Projects

PROJECT CATEGORY	ELIGIBILITY CRITERIA	ENVIRONMENTAL OBJECTIVES
Renewable energy	Development, acquisition, construction, installation and maintenance of renewable power plants, generating energy using <ul style="list-style-type: none"> wind power: onshore and offshore solar power: photovoltaic hydroelectric power 	<ul style="list-style-type: none"> Climate change mitigation: Avoidance and reduction of Greenhouse gas emissions (GHG)
Biofuels and biogas	Production, distribution and refining of biofuels: <ul style="list-style-type: none"> Biofuels and biogas, including hydrogen from biological origin, compliant with the sustainability and greenhouse gas emissions savings criteria laid down Article 29 of the EU renewable Energy Directive (2018/2001/EU). 	<ul style="list-style-type: none"> Climate change mitigation: Avoidance and reduction of Greenhouse gas emissions (GHG)
Clean transportation	Development, construction and installation of projects contributing directly or indirectly to a reduction of CO ₂ emissions or energy consumption per km-passenger: <ul style="list-style-type: none"> Infrastructure: electric charging points, station network and hydrogen fueling stations 	<ul style="list-style-type: none"> Climate change mitigation: Avoidance and reduction of Greenhouse gas emissions (GHG)
Hydrogen from Renewable Energy	<ul style="list-style-type: none"> Manufacture of hydrogen from electrolysis using renewable electricity, biogas and bioliquid reforming and photo-electrocatalysis with solar energy. 	<ul style="list-style-type: none"> Climate change mitigation: Avoidance and reduction of Greenhouse gas emissions (GHG)
Carbon Capture and Storage (CCS)	<ul style="list-style-type: none"> Development, construction, installation and maintenance of projects of capture and storage of CO₂ DACCS: Direct air capture and storage. 	<ul style="list-style-type: none"> Climate change mitigation: Reduction of Greenhouse gas emissions (GHG)
Circular economy	Recycled products: increased recycled content in chemical products. <ul style="list-style-type: none"> Plastics manufactured by mechanical recycling of plastic waste Plastics manufactured by chemical recycling of plastic waste and the life-cycle GHG emissions of the manufactured plastic, excluding any calculated benefit from the production of fuels, are lower than the life-cycle GHG emissions of the equivalent primary plastic manufactured from fossil fuel feedstock, including end of life of plastic in the scope. Manufacture of plastics shall be derived wholly or partially from renewable feedstock and its life-cycle GHG emissions are lower than the life-cycle GHG emissions of the equivalent plastics in primary form manufactured from fossil fuel feedstock 	<ul style="list-style-type: none"> Climate change mitigation: Reduction of Greenhouse gas emissions (GHG)

Transition Eligible Projects

PROJECT CATEGORY	ELIGIBILITY CRITERIA	ENVIRONMENTAL OBJECTIVES
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<p>Energy efficiency</p>	<p>Implementation of energy efficiency plans to our upstream and downstream processes such as: Investments to monitor and mitigate methane and flaring emissions, including:</p> <ul style="list-style-type: none"> • Vapor recovery units • Leak detection and repair <p>Investments to improve energy efficiency of production processes:</p> <ul style="list-style-type: none"> • Residual heat recovery • Furnace modifications • Steam consumption optimization • Electrifying equipment 	<ul style="list-style-type: none"> • Climate change mitigation: Reduction of Greenhouse gas emissions (GHG)
<p>Carbon, capture and utilization (CCU)</p>	<ul style="list-style-type: none"> • Development, construction, installation and maintenance of projects of capture and use of CO₂, such as production of e-fuels with renewable hydrogen and production of other non-fuel products. 	<ul style="list-style-type: none"> • Climate change mitigation: Reduction of Greenhouse gas emissions (GHG)
<p>Recycled Carbon Fuels</p>	<ul style="list-style-type: none"> • Production, distribution and refining of recycled carbon fuels means liquid and gaseous fuels that are produced from liquid or solid waste streams of non- renewable origin which are not suitable for material recovery in accordance with Article 4 of Directive 2008/98/EC, or from waste processing gas and exhaust gas of non-renewable origin which are produced as an unavoidable and unintentional consequence of the production process in industrial installations. They shall be compliant with the minimum thresholds for greenhouse gas emissions savings as established in Directive 2018/2001/EU. 	<ul style="list-style-type: none"> • Climate change mitigation: Avoidance and reduction of Greenhouse gas emissions (GHG)
<p>Renewable Transport Fuels of non-biological origin</p>	<ul style="list-style-type: none"> • Production, distribution and refining of renewable transport fuels of non biological origin complying with the requirements set in the Directive 2018/2001/EU (RED II). ‘renewable liquid and gaseous transport fuels of non-biological origin’ means liquid or gaseous fuels which are used in the transport sector other than biofuels or biogas, the energy content of which is derived from renewable sources other than biomass; 	<ul style="list-style-type: none"> • Climate change mitigation: Avoidance and reduction of Greenhouse gas emissions (GHG)
<p>Chemical products</p>	<p>Advanced materials for:</p> <ul style="list-style-type: none"> • energy transitions applications such as: energy efficiency (isolation), electrification (cables), energy storage (batteries) • medical/sanitary applications such as materials for light packaging and for packaging medicines with very low content of impurities 	<ul style="list-style-type: none"> • Climate change mitigation: Avoidance and reduction of Greenhouse gas emissions (GHG)

Opinion: ISS ESG finds that the Use of Proceeds description provided by Repsol aligns with the GBPs and GLPs. Environmental benefits are described and align with the issuer’s sustainability strategy.

2. Process for Project Evaluation and Selection

FROM ISSUER’S FRAMEWORK

Repsol is committed to ensure the responsible management of all of its activities through the integration of ESG criteria, across the business according to its Sustainability Policy. All of its activities are under the purview of its Sustainability Model, which is designed prevent harm to people, assets and the environment. For more detail on how Repsol minimises its social and environmental risks, see the Transition Financing Framework.

Project Selection Process

The process of evaluation and selection of Green Eligible Projects and Transition Eligible Projects is performed as follows:

- The potential Green Eligible Projects and Transition Eligible Projects are proposed by the Technical Management in the facility according to their alignment with the Eligibility Criteria defined above.
- The investment in the Green Eligible Projects and Transition Eligible Projects is approved at the corresponding management Level according to the internal authorization procedure. Management will also ensure that all of Repsol's standard environmental and social risk management practices have been followed.
- The Sustainable Financing Committee evaluates the contribution of the projects proposed to the Environmental Objectives and/or Transition levers to be classified as Green Eligible Projects and Transition Eligible Projects and approves them for allocation.

On a biannual basis, the Sustainable Financing Committee will review the allocation of the proceeds to the Green Eligible Projects and Transition Eligible Projects and determine if any changes are necessary.

Opinion: ISS ESG considers the Process for Project Evaluation and Selection description provided by Repsol's Use of Proceeds Financing Framework as aligned with the GBPs and GLPs. The issuer has a structured process to identify Green Eligible Projects and has set up a Sustainable Financing Committee. Repsol has also identified mechanisms to manage the environmental and social risks of its assets.

3. Management of Proceeds

FROM ISSUER'S FRAMEWORK

The net proceeds will be allocated to the new projects and / or refinancing of existing projects identified under the use of proceeds section above. Pending the full allocation to Green Eligible Projects and Transition Eligible Projects, Repsol commits to hold the balance of net proceeds not already allocated to Green Eligible Projects and Transition Eligible Projects invested in cash, cash equivalent, bank accounts/deposits and/or in monetary funds managed by the company's Treasury, following the financial and risks internal policy of the Group.

Repsol has set up internal procedures to track the use of proceeds of its Green and/or Transition Financings and has established a register to monitor the Green Eligible Projects and Transition Eligible Projects.

In case of asset divestment or cancellation of a project, Repsol will re-allocate proceeds to finance other Eligible Green Projects and Transition Eligible Projects, compliant with the current Framework. Repsol will aim to fully allocate the proceeds of any Use of Proceeds Financing instruments issuance within 36 months.

Opinion: *ISS ESG finds that Management of Proceeds proposed by Repsol’s Use of Proceeds Financing Framework is well aligned with the GBPs and GLPs. The net proceeds will be tracked in an appropriate manner. Moreover, the intended types of temporary placement for the balance of unallocated net proceeds have been disclosed.*

4. Reporting

FROM ISSUER’S FRAMEWORK

Repsol will provide information, for each transaction, on the allocation of the net proceeds of its Green and/or Transition Financings on its website within the first 12 months of each financial year-end after the completion of the external assurance and until all the net proceeds have been allocated. The report will cover both allocation and impact reporting for each project category.

Allocation Reporting

The allocation reporting will provide:

- Confirmation that the Use of Proceeds of each Green Use of Proceeds Financing instruments and Transition Use of Proceeds instruments complies with this Framework;
- Total amount of Green and Transition Bond proceeds allocated to Eligible Projects
- The proceeds allocation in respect of the Eligible Projects for each category and the breakdown by geographical region on an aggregate basis by year of implementation;
- Share of refinancing and financing proceeds;
- The remaining balance of unallocated proceeds.

Impact Reporting

Repsol will make its best effort to report annually on adequate relevant impact metrics for monitoring the projects financed on an aggregate basis at Project Category level. The relevant metrics could include:

Type of project category	Project Category	Impact Reporting Metrics
	Renewable Energy	<ul style="list-style-type: none"> • Renewable energy produced (MWh) • Renewable energy capacity (MW)

Green and Transition		<ul style="list-style-type: none"> • GHG emissions avoided / reduced (tCO₂e)
	Biofuels	<ul style="list-style-type: none"> • Biofuels production (t/y) • Biofuels production capacity (t) • GHG emissions avoided / reduced (tCO₂e)
	Clean Transportation	<ul style="list-style-type: none"> • Number of charging stations • Estimated GHG emissions avoided / reduced (tCO₂e)
	Renewable hydrogen	<ul style="list-style-type: none"> • Renewable generation capacity (MWeq)
	CCS	<ul style="list-style-type: none"> • GHG emissions avoided / reduced (tCO₂e)
	Circular economy	<ul style="list-style-type: none"> • Recycled polyolefines recycled (tons) • Circular polyolefines (tons) • Recycled feedstock (tons)
Transition	Energy Efficiency	<ul style="list-style-type: none"> • GHG emissions avoided / reduced (tCO₂e)
	Carbon, capture and utilization (CCU)	<ul style="list-style-type: none"> • GHG emissions avoided / reduced (tCO₂e)
	Recycled Carbon Fuels	<ul style="list-style-type: none"> • Biofuels production (t/y) • Biofuels production capacity (t) • GHG emissions avoided / reduced (tCO₂e)
	Low carbon emission fuels	<ul style="list-style-type: none"> • Biofuels production (t/y) • Biofuels production capacity (t) • GHG emissions avoided / reduced (tCO₂e)
	Chemical products	<ul style="list-style-type: none"> • Advanced chemical products (t)

Opinion: ISS ESG finds that the reporting proposed by Repsol's Use of Proceeds Financing Framework is aligned with the GBPs and GLPs. The issuer has defined the level and scope on which it will report, according to best market practices. Furthermore, the issuer has defined relevant metrics to report on the environmental impact of the projects financed.

External review

Second Party Opinion

Repsol has obtained a Second Party Opinion from ISS ESG to evaluate the Transition Financing Framework, its transparency and governance as well as its alignment with the Climate Transition Finance Handbook 2020, the Green Bond Principles 2021, Green Loan Principles 2021, the Sustainability-Linked Bond Principles 2020, and the Sustainability-Linked Loan Principles as applicable, published by ICMA / LMA.

Rationale for Framework

FROM ISSUER'S FRAMEWORK

B. ICMA SUSTAINABILITY-LINKED BOND PRINCIPLES

The issuer states that it intends to issue Sustainability-Linked Financing ("SLFs"), which include Sustainability-Linked Bonds ("SLBs"), in line with its transition strategy and climate roadmap. The Framework is intended to allow the company to use all available transition financing instruments in the market to fund its decarbonization levers: Efficiency, Portfolio Transformation, Low Carbon Fuels & Circularity, Low Carbon Power Generation, Technology Breakthroughs & Carbon Sinks.

The Sustainability-Linked Financing Instruments format, with general corporate purpose financings, is in line with Repsol's climate roadmap as the SPTs are directly related to its long-term goal to be carbon neutral by 2050.

Opinion: ISS ESG considers the Rationale for Issuance description provided by Repsol as consistent with the company's overall sustainability and business strategy, and aligned with SLBPs.

2.1. Selection of KPI

Please refer to Part IV of the report for a fuller analysis of the sustainability credibility of the KPI selected.

Opinion: ISS ESG finds that the KPI selected is relevant, core and material to the issuer's business model and consistent with its sustainability strategy. It covers either 100% of the operations and activities of Repsol (if considering Repsol's own oil production), or 58% of the operations and activities, if also including oil supplied by other companies, which is refined by Repsol. The composite KPI is based on a calculation methodology that has been designed by Repsol (and also based on subfactors, of which some use the GHG Protocol), and therefore it cannot be benchmarked against reported data from sectorial peers or an external standard. Currently there is no commonly established reference point available for this sector to conduct such a benchmarking. Otherwise, the KPI is appropriately measurable, quantifiable and externally verifiable. ISS ESG encourages additional disclosure on the avoided and negative emissions in the subfactors, in order to provide more transparency on the KPI.

2.2. Calibration of Sustainability Performance Target (SPT)

Please refer to Part IV of the report for a fuller analysis of the calibration of the SPTs.

Opinion: ISS ESG finds that the SPTs calibrated by Repsol are ambitious against the company's past performance. The SPTs set by Repsol cannot be directly compared with the public commitments and targets from its peers because they use different metrics and calculation methodologies. According to an assessment by the Transition Pathway Initiative, which involves modelling of the oil and gas companies' emissions intensities (thereby providing a consistent metric across the sector), and therefore based on indirect evidence, the SPTs are ambitious against Repsol's peers. In the absence of an international standard or benchmark for the sector, a review of Repsol's internal absolute CO₂ emissions forecasts related to the intensity targets, shows that they are in line with the International Energy Agency (IEA) Sustainable Development Scenario (SDS) Oil and Gas demand projections for 2025,

2030, 2040 and 2050⁷. In October 2021, Repsol announced its absolute net emissions targets for 2030, which provides additional transparency into the company's decarbonisation strategy. At the same time, Repsol also announced more ambitious targets for its KPI for 2025, 2030 and 2040.

2.3. Sustainability-Linked Financing Instruments Characteristics

FROM ISSUER'S FRAMEWORK

For the avoidance of doubt, unless otherwise stated, the proceeds of any Sustainability-Linked Financings will be used for general corporate purposes. Repsol will assign structural and/or financial implications to the non-achievement of the SPT in the legal documentation of any Sustainability-Linked Financing. These implications could include, but are not limited to, a coupon step-up or increased redemption fee. Any structural and/or structural characteristics will be commensurate and meaningful relative to the original financing's financial characteristics.

The exact mechanism and impacts of the achievement or failure to reach the pre-defined SPTs will be detailed for each bond at the legal documentation. Such documents will detail the KPI definition, calculation methodologies, SPTs and trigger events, financial/structural characteristic variation mechanisms, as well as where needed any fallback mechanisms in case the SPTs cannot be calculated or observed in a satisfactory manner, and language to take into consideration potential exceptional events or extreme events, including drastic changes in the regulatory environment that could substantially impact the calculation of the KPI or the restatement of the SPT. Where relevant, Repsol may include potential exceptional events that could substantially impact the calculation of the KPI and SPT in the legal documentation of the Sustainability-linked financing.

Any future Sustainability-Linked Bonds ("SLBs") with the same KPI(s) and SPT Observation Date must utilize an SPT of equal or greater climate ambition. In addition, at the issuance of such an SLB, any outstanding SLBs would have their equivalent SPT adjusted to reflect the greater ambition for three key reasons:

1. To enable the increase of ambition over time, and allow Repsol to adapt to new circumstances
2. To avoid the coexistence of SLBs with different SPTs at the same dates for the same KPIs
3. To facilitate the reporting exercise – avoiding the need to validate the KPI against multiple targets

For the avoidance of doubt, the financial implications cannot be applied more than one time over the life of a given Sustainability-Linked transaction.

Opinion: ISS ESG considers the Sustainability-Linked Financing Instruments Characteristics description provided by Repsol as aligned with the SLBPs. The issuer gives a detailed description of the potential variation of the financial characteristics of the securities, while clearly defining the KPI and SPT and its calculation methodologies. The issuer also took into consideration potential extreme/exceptional events that could substantially impact the calculation of the KPI.

2.4. Reporting

FROM ISSUER'S FRAMEWORK

⁷ ISS ESG was provided with Repsol's internal analysis showing how its internal absolute (Scope 1, 2, 3) CO2 emission reduction rate, which is related to its intensity targets, compares with the IEA SDS Oil and Gas demand projections

On an annual basis, Repsol will disclose performance on the selected KPIs. This reporting will be made available within twelve months of each financial year end and could include information, on an aggregated basis, of the products and/or activities range/mix as evolution drivers of the KPIs

For each SPT, the company will disclose within the Sustainability-Linked Financing's legal documentation the following:

- A Target Observation Date, where the company's performance of each KPI against the predefined SPT will be observed
- A Notification Date, where the company will report on the performance according to the SPT.

Repsol will report on the performance of each KPI against the predefined SPT within twelve months from the Target Observation Date.

Opinion: ISS ESG considers the Reporting description provided by Repsol as aligned with the SLBPs. This will be made available annually to bondholders and include valuable information, as described above.

2.5. Verification

FROM ISSUER'S FRAMEWORK

Verification of the annual performance on the KPIs will be conducted to a limited assurance by the company's external auditor under the ISAE 3000 and disclosed within twelve months of each financial year end.

The company's external auditor will provide to bondholders a report with limited assurance at the Reference Date, confirming the performance against the SPTs and the related impact, and timing of such impact, on the bond financial characteristics. This verification report will be disclosed within twelve months of each financial year end.

Opinion: ISS ESG considers the Verification description provided by Repsol as aligned to the SLBPs recommendations, as bondholders will receive an annual verification report confirming the performance against the SPT, the related impact and timing of such impact, on the bond financial characteristics.

1. Climate Transition Strategy and Governance

Repsol had announced in 2019 a long term target of achieving net zero emissions⁸ (scope 1 to 3) by 2050. As a signatory of the Paris Pledge for Action⁹, the issuer is committed to being part of the climate change solution and to adapt its activities and investments to be consistent with the ambition of limiting the average global temperature rise to well-below 2°C above pre-industrial levels by the end of the century. In October 2021, the targets were updated with more ambitious interim targets for its carbon intensity indicator for 2025, 2030 and 2040 as well as absolute emissions targets for 2030. The 2025 methane emissions intensity target from Repsol's operations was also updated.

Repsol's strategic plan includes five distinct decarbonization levers, and links between sustainability and decarbonization objectives with the annual variable remuneration of the CEO. Repsol is currently involved with piloting the Institutional Investors Group on Climate Change (IIGCC)'s newly announced Net Zero Standard¹⁰.

Climate change forms part of Repsol's overarching Sustainability Model that is articulated around six axes, which frame the issuer's Global Sustainability Plan: Ethics and transparency, People, Safe Operation, Environment, Climate change and Innovation and technology.

Repsol supports the United Nations Agenda 2030 for Sustainable Development and contributes to the Sustainable Development Goals (SDGs), taking them as a reference to define its sustainability priorities.

Opinion: ISS ESG's opinion is that Repsol's Transition Finance Framework is effective in communicating the issuer's corporate strategy to transform its business model in order to address climate-related risks and contribute to the goals of the Paris Agreement. It includes details on how the issuer's business model will be change and explicitly targets an alignment with the goals of the Paris Agreement including disclosure of interim targets and evidence of a broader sustainability strategy to consider relevant environmental and social externalities and contribute to the UN SDGs. The implementation of the climate strategy is now linked to the remuneration of the CEO and senior executives. The issuer's annual reporting also details various governance structures which keep the climate strategy at heart of key decision making, such as a number of committees and staff who focus on climate change related issues. Delivering on this strategy is a key responsibility of the Executive Committee and the Sustainability Committee, who report directly to the Board of Directors. In addition to the details on the climate strategy in the Framework, there is further disclosure in the annual reporting. Repsol has a wider sustainability strategy which considers its impact on other environmental and social externalities in addition to climate change.

⁸ IPCC: Net zero emissions are achieved when anthropogenic emissions of greenhouse gases to the atmosphere are balanced by anthropogenic removals over a specified period.

⁹ By joining the pledge, businesses, cities, civil society groups, investors, regions, trade unions and other signatories promised to ensure that the ambition set out by the Paris Agreement is met or exceeded to limit global temperature rise to less than 2 degrees Celsius <http://www.parispledgeforaction.org/>

¹⁰ <https://www.iigcc.org/news/investors-representing-usd-10-4-trillion-set-out-standard-for-net-zero-transition-plans-in-the-oil-and-gas-sector/>

2. Business Model Environmental Materiality

As an integrated oil and gas company, the majority of Repsol's product portfolio is comprised of petroleum products. Repsol has identified 5 main decarbonization levers to achieve its net zero emissions target by 2050: (i) Efficiency, (ii) Portfolio Transformation, (iii) Low carbon Fuels & Circularity, (iv) Low carbon power generation and (v) Technological Breakthroughs & Carbon sinks.

While Efficiency and Portfolio Transformation outline changes to existing core business activities, Low carbon Fuels & Circularity, Low carbon power generation and Technological Breakthroughs & Power sinks detail the build out of additional strategic business areas for the issuer.

Opinion: ISS ESG considers the issuers climate transition strategy as outlined in Repsol's Transition Financing Framework as relevant to the environmentally-material parts of the issuer's business model. The levers outlined impact core business activities that are the main drivers of the issuers current and future environmental impact.

3. Climate transition strategy to be "science-based"

The issuer's transition strategy:

- Is quantitatively measurable based on the methodology outlined by Repsol for its carbon intensity indicator and references a clear baseline;
- Includes 2030 targets for absolute Scope 1 and 2 CO₂ emissions, as well as net absolute Scope 1, 2 and 3 emissions, which will involve the use of carbon sinks.
- Involves internal forecasts for absolute Scope 1, 2, 3 emissions, which follow a rate of reduction which is aligned with the IEA SDS Oil and Gas demand projections, according to Repsol's analysis;
- Is publicly disclosed and includes short, medium and long-term greenhouse gas reduction targets as defined with Repsol's carbon intensity indicator (CII);
- Is not supported by an independent assurance or verification, however, the carbon intensity indicator (CII) defined by Repsol is subject to external assurance.

Opinion: Whilst the carbon intensity targets are calculated by Repsol using a proprietary method and therefore cannot directly be assessed against an external benchmark, ISS ESG has reviewed Repsol's internal forecasted absolute Scope 1, 2 and 3 CO₂ emissions reductions, which are related to the intensity targets¹¹. The analysis shows that the absolute emissions forecasts follow a reduction rate in line with the IEA SDS Oil and Gas demand projections. The targets have not been subjected to an external technical review because there is currently no industry pathway or commonly established reference points in this sector to benchmark the targets against. Hence, limited evidence is available on whether the climate transition strategy is science-based. ISS ESG recommends that the issuer obtain verification of its decarbonization pathway when a common methodology becomes available for the Oil & Gas sector.

¹¹ ISS ESG was provided with Repsol's internal analysis showing how its internal absolute (Scope 1, 2, 3) CO₂ emission reduction rate related to its intensity targets compares with the IEA SDS Oil and Gas demand projections

4. Implementation Transparency

Repsol's strategic plan projects investment of €19.3 billion between 2021 and 2025, of which €6.5 billion – 35% - will be spent on low-carbon businesses, such as renewable electricity generation, production of hydrogen from renewable energy, and various low carbon fuels and biofuels. Repsol outlines in the Framework and other public disclosures, detail on the intended Use of Proceeds categories and on the different technologies and lower carbon products that Repsol wants to expand into. Repsol also provides information on the issuer's climate governance including internal carbon pricing, climate targets in remuneration and its adherence to the recommendations established by the Task Force on Climate-related Financial Disclosures (TCFD). In terms of Repsol's consideration of how their transition strategy may impact on their stakeholders, Repsol has been involved in the Council for Inclusive Capitalism's development of the "Just Energy Transition: A Framework for Company Action"¹².

Opinion: ISS ESG finds that the issuer provides details on the technical aspects of the different technology development programs, with planned production targets as well as planned investment amounts. Governance and process changes are detailed.

¹² <https://www.inclusivecapitalism.com/collaborators/>

PART III: SUSTAINABILITY QUALITY OF THE USE OF PROCEEDS CATEGORIES

Based on the assessment of the sustainability quality of the Transition Financing Framework and using a proprietary methodology, ISS ESG assessed the contribution of Repsol's eligible project categories to the Sustainable Development Goals defined by the United Nations (UN SDGs).

A. CONTRIBUTION OF THE USE OF PROCEEDS CATEGORIES TO THE UN SDGs

This assessment is displayed on 5-point scale (see Annex 1 for methodology):

Significant Obstruction	Limited Obstruction	No Net Impact	Limited Contribution	Significant Contribution
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Each of the Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
GREEN & TRANSITION ACTIVITIES		
Renewable Energy <i>Wind power: onshore and offshore</i> <i>Solar power</i>	Significant contribution	 
Renewable Energy <i>Hydropower (expansion of wholly underground large-scale pumped storage plant)</i>	Limited Contribution	 
Biofuels and biogas <i>Biofuels and biogas, including hydrogen from biological origin, compliant with the sustainability and greenhouse gas emissions savings criteria laid down Article 29 of the EU renewable Energy Directive (2018/2001/EU).</i>	Limited Contribution	 
Clean Transportation <i>Electric charging stations, station network and hydrogen fueling stations</i>	Limited Contribution	 
Hydrogen from Renewable Energy <i>Manufacture of hydrogen from electrolysis using renewable electricity, biogas and bioliquid reforming and photo-electrocatalysis with solar energy</i>	Significant contribution	 
Carbon Capture and Storage <i>Development, construction, installation and maintenance of projects of capture and storage of CO₂</i>	Significant contribution	
Circular Economy <i>Plastics manufactured by mechanical or chemical recycling of plastic waste</i>	Significant contribution	 

USE OF PROCEEDS	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
TRANSITION ACTIVITIES		
<p>Energy Efficiency <i>Implementation of energy efficiency plans to upstream and downstream processes such as investments to monitor and mitigate methane and flaring emissions and investments to improve energy efficiency of production processes of residual heat recovery, furnace modifications, steam consumption optimization and electrifying equipment</i></p>	<p>Limited Contribution</p>	
<p>Carbon Capture and Utilization <i>Development, construction, installation and maintenance of projects of capture and use of CO₂, such as production of e-fuels with renewable hydrogen and production of other non-fuel products</i></p>	<p>Limited Contribution</p>	
<p>Recycled Carbon Fuels <i>Production, distribution and refining of recycled carbon fuels means liquid and gaseous fuels that are produced from liquid or solid waste streams of non-renewable origin, or from waste processing gas and exhaust gas of non-renewable origin which are produced as an unavoidable and unintentional consequence of the production process in industrial installations. They shall be compliant with the minimum thresholds for greenhouse gas emissions savings as established in Directive 2018/2001/EU.</i></p>	<p>No Net Impact</p>	
<p>Renewable Transport Fuels of Non-Biological Origin <i>Production, distribution and refining of renewable transport fuels of non biological origin complying with the requirements set in the Directive 2018/2001/EU (RED II).</i></p>	<p>Limited Contribution</p>	
<p>Chemical Products <i>Advanced materials for:</i></p> <ul style="list-style-type: none"> • <i>energy transitions applications such as: energy efficiency (isolation), electrification (cables), energy storage (batteries)</i> • <i>medical/sanitary applications</i> 	<p>No Net Impact</p>	

ISS ESG KEY PERFORMANCE INDICATORS

B. MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS ASSOCIATED WITH THE USE OF PROCEEDS
The ISS ESG KPI ensures that environmental and social risks attached to the projects financed are taken into consideration and have been minimized. This assessment is based on the issuer's policies and strategy regarding ESG risks minimization in its assets selection process.

ASSESSMENT AGAINST ISS ESG KPI

KPIs RELEVANT FOR ALL USE OF PROCEEDS CATEGORIES

Impact of operations on biodiversity

- ✓ There is a clear policy on biodiversity management for all relevant projects (e.g. as part of eligibility criteria, general financing policies or company policy in case of corporate issuances).
- ✓ All projects are covered by a certified environmental management system in line with relevant international standards (ISO 14001, EMAS or equivalent).

Labour standards

- ✓ There are clear policies on compliance with all components of the ILO core conventions for all projects (e.g. as part of eligibility criteria, general financing policies or company policy in case of corporate issuances).

Health and safety standards

- ✓ More than 50% of relevant employees (estimated) are covered by a health and safety management system that is certified to the OHSAS 18001 or ISO 45001 standard.

Waste management and pollution prevention

- ✓ All projects are covered by a certified environmental management system in line with relevant international standards (ISO 14001, EMAS or equivalent)

Dialogue with local communities

- ✓ The company runs long-term programmes (e.g. through a foundation and in cooperation with academic, non-governmental and international organisations).
- ✓ The company states that it regularly monitors and evaluates its community involvement activities. Some relevant aspects (e.g. scope, duration and frequency of assessment, processes and tools) are covered. However, no detailed targets are available.

ASSESSMENT AGAINST ISS ESG KPI

KPIs RELEVANT FOR SOME USE OF PROCEEDS CATEGORIES ONLY

Environmental impact of Solar PV

- ✓ There is a group-wide policy regarding environmental standards on take-back and recycling of solar modules at end-of-life stage (e.g. in line with WEE requirements)
- ✓ All solar PV are subject to environmental management systems certified against ISO 14001 norm and ensuring reduction or elimination of toxic substances in solar panels (e.g. in line with RoHS requirements).

Environmental impact of Hydropower

- ✓ The hydropower facility that is nominated under this Framework is a “cavern hydropower plant” which is completely underground, including the associated pipework. Measures will be introduced to ameliorate any negative impact on the local terrestrial ecosystems.

Environmental impact of hydrogen production through electrolysis

- ✓ Sustainable water withdrawal and reduction of freshwater use measures are in place for hydrogen production (e.g. reusing water, efficient use of water, reducing the impact of discharges).

Environmental impact of carbon capture and storage

- ✓ Measures are in place to prevent, detect, monitor and mitigate leakages in the process of capturing, transporting and storing carbon (e.g. pressures sensors, analysis of CO₂ isotopes in cuttings, frequent monitoring).
- ✓ Measures are in place to allow long-term storage of CO₂ captured and to avoid leakages at storage facilities (e.g. seismic monitoring and sensors).

Environmental impact of plastic manufacture and recycling

- ✓ All plastic manufacture and recycling projects are subject to life cycle assessment in line with ISO 14040:2006 and ISO 14044:2006 standards.

PART IV: KPI SELECTION & SPT CALIBRATION

KPI selection – Carbon Intensity Indicator

KPI selected by the issuer

FROM ISSUER'S FRAMEWORK

- **KPI:** Greenhouse gas emissions intensity, g CO₂e/MJ (scope 1,2 and 3) - Repsol's carbon intensity indicator (CII) measures the CO₂e emissions for every unit of energy that the company makes available to society.
- **Unit:** gCO₂e/MJ
- **SPTs:**
 - **SPT 1:** 15% reduction of carbon intensity indicator (scope 1, 2 and 3) by 2025 against a 2016 baseline
 - **SPT 2:** 28% reduction of carbon intensity indicator (scope 1, 2 and 3) by 2030 against a 2016 baseline
 - **SPT 3:** 55% reduction of carbon intensity indicator (scope 1, 2 and 3) by 2040 against a 2016 baseline
- **Rationale for KPI:** Repsol states that its KPI is:
 - (i) Relevant, core and material to Repsol's overall business, and of high strategic significance to the issuer's current and/or future operations:
 - It embodies Repsol's position on climate change, in its role as an energy company that fulfils society's energy needs with as few emissions as possible
 - It encompasses not only the emissions of Repsol's operations, but also the emissions of the energy products (that would come from Repsol's primary energy production) used worldwide by Repsol's customers (Scope 1, 2 and 3)
 - It measures the results of Repsol's efforts to get to net zero emissions by 2050, and acts as a key performance indicator to monitor progress towards that target.
 - (ii) Measurable or quantifiable on a consistent methodological basis, as further explained below.
 - (iii) Externally verifiable by Repsol's independent auditor and able to be benchmarked with Repsol's own performance (since 2016).
- **Calculation methodology:** The accurate and transparent calculation of Repsol's greenhouse gas inventory is a critical input for our roadmap to reach net zero emissions by 2050. Repsol's direct and indirect emissions are subject to verification under EU-ETS and the international standard ISO 14064-1. Calculated according to the GHG Kyoto, the indicator is calculated as the quotient of two values:
 - **Numerator (in gCO₂e)**
 1. **Operational Scope 1 + 2:** The direct (scope 1) and indirect emissions (scope 2) from Exploration & Production operated businesses world-wide, from Refining and Chemical industrial complexes in Spain, Portugal and Peru and from low-emission power generation.
 2. **Scope 3 O&G E&P based :** The emissions associated with the use of products coming from Repsol's oil and gas production (scope 3) including:
 - The emissions from products that would be obtained in Repsol's Refining and Chemical processes from our oil production
 - All of the emissions from the combustion of natural gas production, regardless of their final use
 - Emissions from third-party hydrogen plants that supply Repsol's controlled refineries. Thus, they are treated in the same way for the purposes of emissions as Repsol's own hydrogen plants, because this component is essential to produce our fuels.
 3. **Low Carbon Location-Based Emissions Shift :** Avoided emissions from Repsol's low-carbon power generation assets and low carbon fuels.

4. Carbon Sinks: Avoided emissions if levers such as Carbon Capture, Use and Storage (CCUS) or Natural Climate Solutions (NCS) are implemented.
 - **Denominator (in MJ)**
 1. Energy Products: Energy relating to Repsol's oil and gas production in the E&P business.
 2. Non Energy Products: Energy from the products obtained in Repsol's average Refining and Chemicals processes for oil case and all energy contained in the natural gas production. Chemical products are considered carbon sinks and, although they are not strictly energy products, the energy contained in the equivalent oil (that would be produced by Repsol) used to produce them is counted. The same applies for other non-fuel products, such as lubricants, asphalts.
 3. Low Carbon Energy Sources: Energy from renewable (solar, wind, hydropower) and non-renewable (combined cycle gas turbines and surplus from natural gas cogeneration) power generation sources.

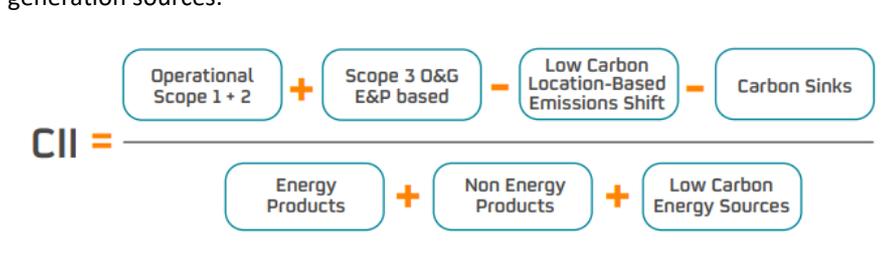


Figure 1 Carbon Intensity Indicator

- **Baseline year**: 2016 has been established as the base year, since it is the first year in which all Talisman Legacy's assets are consolidated. Consequently, this is the date from which the impact of the Repsol's actions can be quantified. The scope of this baseline has been limited to Exploration and Production (E&P), Refining Spain, Chemicals and Refining Peru. The base case does not include new low carbon businesses, which have been included from year 2019.
- **Baseline year performance**: 77.7 g CO₂e/MJ
- **Scope**: The Carbon Intensity Indicator covers the emissions derived from the Company's activity and emissions associated with the use of fuel products derived from primary energy production (oil, and natural gas). GHG Emissions deriving from Repsol's activity covers direct and indirect emissions derived from:
 - Upstream activities: exploration and production
 - Downstream activities: refining and chemicals operations
 - Low-emission power generation
 - And excludes third party (purchased) products

Materiality and relevance

Climate change mitigation is considered as a key ESG issue faced by the Oil, Gas & Consumable Fuels according to key ESG standards¹³ for reporting and ISS ESG assessment. Companies of this sector are among the most highly GHG-emitting, especially in the process of extracting, refining and distributing oil and gas. Beyond CO₂ emissions, the Oil and Gas industry is responsible for high methane emissions, which are the second largest cause of global warming as of 2021. Therefore, reducing methane emissions will be critical to avoid the worst effects of climate change. Repsol has set itself a net-zero

¹³ Key ESG Standards include SASB and TCFD, among others.

emissions target towards 2050 based on its Carbon Intensity Indicator, capturing Scopes 1, 2 and 3 emissions and focuses on transitioning its current energy mix towards low carbon power generation and renewable energy, on improving the energy efficiency of its operations, capturing, storing and using carbon in its production processes and on decreasing the Scope 3 GHG emissions of its value chain. This KPI captures holistically the different levers that the company can use to mitigate climate change.

ISS ESG finds that climate change mitigation and the GHG emissions reduction KPI selected by the issuer are:

- **Relevant** to Repsol's business as its industry is highly GHG-emitting and exposed to climate change mitigation solutions (e.g. transition of portfolio towards low-carbon fuels and renewable energy, efficiency, carbon capture usage & storage (CCUS)).
- **Core** to the issuer's business as climate change mitigation reduction measures affects key processes and operations that are core to the business model of the issuer (e.g. energy efficiency in upstream and downstream processes, transition of portfolio, investments in CCUS).
- **Material** to Repsol from an ESG perspective as it is one of the key ESG issues faced by the Oil, Gas & Consumable Fuels industry, an highly-GHG emitting sector. The KPI covers a material scope of the company's operations by including Scopes 1, 2 and 3 GHG emissions. The KPI also includes measures contemplated by Repsol to achieve a net zero target, namely potentially avoided emissions related to the renewable energy business of Repsol and carbon emissions captured, stored and/or used .

Consistency with overall company's sustainability strategy

Repsol states that it was the first company in the oil & gas industry to support the Kyoto Protocol and the first to announce in 2019 a target of achieving net zero emissions (scope 1 to 3) by 2050.

As a signatory of the Paris Pledge for Action document, Repsol is committed to being part of the climate change solution. Repsol is firmly committed to adapt its activities and investments to be consistent with the ambition of limiting the average global temperature rise to well-below 2°C above pre-industrial levels by the end of the century.

In line with Repsol's commitment to fighting climate change and decarbonizing the economy, Repsol identified the following main decarbonization levers regarding climate change: (i) Efficiency, (ii) Portfolio Transformation, (iii) Low carbon Fuels & Circularity, (iv) Low carbon power generation and (v) Technological Breakthroughs & Carbon sinks. Selection is based on the associations' or initiatives' relationship to the energy sector, their scope of action in regions or countries where Repsol can have significant business or commercial operations, and their relevance in relation to climate change.

To achieve this objective, Repsol has defined the carbon intensity indicator considered in the context of this Transition Finance Framework. This indicator is the basis of the company's emissions reduction targets, which cover Scopes 1, 2, 3, and includes a long term target of zero net emissions in 2050.

ISS ESG finds that the KPI selected by the issuer is consistent with the overall company's sustainability strategy.

Measurability

- **Scope and perimeter:** The KPI selected covers 100% of the company's Scopes 1, 2 and 3 of GHG emissions, from its own operations, or otherwise 58% of the company's total GHG emissions when also including the oil supplied from third parties to Repsol's refineries.
- **Quantifiable:** The composite KPI selected is quantifiable and measurable. The sub-factors included in the KPI refer to acknowledged reporting principles. The Scopes 1, 2 and 3 GHG emissions and the NCS emissions inventory are subject to verification under EU-ETS and the international standard ISO 14064-1.
- **Externally verifiable:** The KPI selected has been externally verified annually since 2016 under ISAE 3000 as part of the Repsol's Integrated Management Report. The issuer commits to obtaining a third-party verification of the KPI annually, verified under the ISAE 3000 protocol.
- **Benchmarkable:** The KPI selected is based on a calculation methodology designed by Repsol and cannot be benchmarked directly with peers or any external GHG accounting standards or protocols, because they do not exist yet for this sector. Repsol is aware of some peers in its sector who also use a similar type of Carbon Intensity Indicator that includes Scope 3 emissions, however they are not directly comparable because they are calculated with different methodologies. The use of an intensity metric allows some comparability between Repsol and its peers based on the amount of oil and gas production, although there are also other factors included in the CII, which adds complexity to the comparability. Repsol has also announced a separate 2030 target that covers the company's Scope 1 and 2 emissions as well as its net Scope 1, 2 and 3 emissions, on an absolute emissions basis. However, these two targets are separate from the KPI and therefore not within the scope of the KPI.

Opinion on KPI selection: ISS ESG finds that the KPI selected is relevant, core and material to the issuer's business model and consistent with its sustainability strategy. It covers either 100% of the operations and activities of Repsol (if considering Repsol's own oil production), or 58% of the operations and activities, if also including oil supplied by other companies, which is refined by Repsol. The composite KPI is based on a calculation methodology that has been designed by Repsol (and also based on subfactors, of which some use the GHG Protocol), and therefore it cannot be benchmarked against reported data from sectorial peers or an external standard. Currently there is no commonly established reference point available for this sector to conduct such a benchmarking. Otherwise, the KPI is measurable, quantifiable and externally verifiable. ISS ESG encourages additional disclosure on the avoided and negative emissions in the subfactors, in order to provide more transparency on the KPI.

Calibration of SPTs

SPT set by the issuer

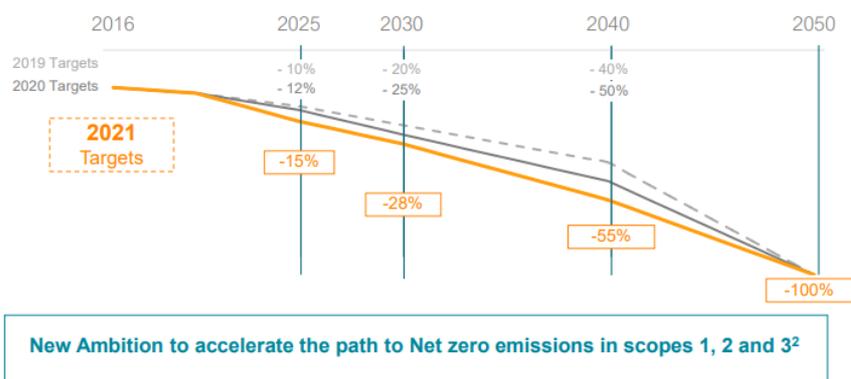
FROM ISSUER'S FRAMEWORK¹⁴

¹⁴ This table is displayed by the issuer in its Sustainability-Linked Financing Framework and have been copied over in this report by ISS ESG for clarity.

- **Sustainability Performance Target:** Carbon Intensity Indicator, Scopes 1-3
 - SPT 1: 15% reduction of carbon intensity indicator (scope 1, 2 and 3) by 2025
 - SPT 2: 28% reduction of carbon intensity indicator (scope 1, 2 and 3) by 2030
 - SPT 3: 55% reduction of carbon intensity indicator (scope 1, 2 and 3) by 2040
- **Sustainability Performance Target Observation Dates:** To be defined in Sustainability-Linked Financing's legal documentation
- **2016 Baseline Intensity:** 77.7 gCO₂e/MJ produced
- **Association with longer-term target:** Repsol's ambition to achieve net zero emissions by 2050 entails directing all of its activities and investments to meeting new and more stringent plans all in alignment with the energy transition and the effort to limit the planet's temperature rise to well below 2 degrees Celsius according to the Paris Agreement's climate goals.
- **Factors that support the achievement of the target:** To reduce the carbon intensity of Repsol's businesses, 5 decarbonization levers have been outlined. The various initiatives have been identified and prioritized according to a scope 1+2 "abatement curve" study, as presented below in the chart below. The first (2020-2025) action plan has already been presented in detail in November 2020 within Repsol's strategic plan.
- **Factors that support and/or might put at risk the achievement of the Targets:** To be disclosed in the relevant documentation of the sustainability-linked transactions, according to applicable regulation.

First O&G to claim Net Zero emissions
Committed in 2019, Increased in 2020, Reinforced in 2021

Carbon Intensity Indicator¹ reduction targets [gCO₂/MJ]



1. 2016 baseline.
2. Emissions based on the use of the products from our upstream production

Figure 2 Repsol's updated trajectory for its CII, from Framework

Ambition

Against company's past performance

In October 2021, Repsol sets the SPTs to reduce its Carbon Intensity Indicator (Scope 1, 2, and 3 emissions) by 15% by 2025, 28% by 2030 and 55% by 2040 compared with baseline year 2016. These 3 SPTs were linked to updated decarbonisation targets announced by Repsol in November 2021, each of which are more ambitious than those announced in 2019.

Achieving those targets would represent a significant reduction of the Carbon Intensity Indicator. Between 2016 and 2020, Repsol had already managed to achieve a 5% reduction of its Carbon Intensity Indicator. The reduced business activity due to the COVID-19 pandemic in the year 2020 allowed Repsol to over perform compared to its interim target towards 2020 (3% decrease vs. baseline year). The company estimates that the reduction in 2020 would have been around 3.7%, if considering

the business activity levels prior to the pandemic. This improvement was achieved thanks to the implementation of energy efficiency and methane emissions management plans, the growing incorporation of biofuels in gasoline and diesel, and the contribution of the low-emission electricity business.

Table 1 shows the compound annual reduction rates (CAGR) for the three SPTs compared with the 2016 baseline and compared with the period of reduction between 2016-2020 (5% reduction in the 4 year period). Based on the CAGR accelerating towards 2040, the SPTs are ambitious against past performance (the period between 2016-2020).

Table 1 CAGR rate for different periods

2016-2020	2016-2025	2016-2030	2016-2040
-1.27%	-1.79%	-2.32%	-3.27%

ISS ESG notes that the reduction in the Carbon Intensity Indicator does not have a direct correlation with the a reduction in Repsol’s absolute Scope 1, 2 and 3 GHG emissions , as the Carbon Intensity Indicator includes potential avoided emissions from renewable energy business and carbon captured through CCUS technologies in its scope. ISS ESG has separately reviewed Repsol’s internal absolute GHG emissions¹⁵ forecasts, which are related to the intensity targets and they show a reduction rate which is consistent with the SPTs, when compared to past performance. In October 2021, Repsol also announced 2030 absolute emissions targets for its Scope 1 and 2 emissions, as well as a 2030 absolute net emissions targets for its Scope 1,2 and 3 emissions, which provided additional transparency on the company’s decarbonisation strategy.

Overall, the various SPTs set by Repsol are perceived by ISS ESG as ambitious against the company’s past performance. In particular, the SPTs were updated in October 2021 with more ambition, compared to those announced in 2019.

Against company’s sectorial peers

Repsol’s Carbon Intensity Indicator is calculated using a proprietary methodology that is not used by its peers within its sector. Thus, the indicator cannot be benchmarked directly against Repsol’s peer group.

Instead of benchmarking the CII directly, ISS ESG reviewed an assessment of the Oil & Gas sector¹⁶ that was conducted by the Transition Pathway Initiative (TPI), which includes their modelling of the emissions intensity of companies in the Oil and Gas sector. As of 23 December 2021, the TPI assessment¹⁷ included 62 companies in the Oil & Gas industry, of which 50 have included data for 2016. The assessment estimates the emissions intensity of the companies based on their reported data and announced emissions targets¹⁸. Table 2 shows peer comparison using data from that assessment. The table shows the number of companies in the industry group (including Repsol) with a target for that year, as well as the ambitiousness ranking of Repsol’s target compared to its peers, based on a 2016 baseline.

¹⁵ISS ESG was provided with Repsol’s internal analysis showing how its internal absolute (Scope 1, 2, 3) CO2 emission reduction rate related to its intensity targets compares with the IEA SDS Oil and Gas demand projections

¹⁶ <https://www.transitionpathwayinitiative.org/sectors/oil-gas>

¹⁷ https://www.transitionpathwayinitiative.org/sectors/9/user_download

¹⁸ <https://www.transitionpathwayinitiative.org/publications/96.pdf?type=Publication>

Overall, TPI's assessment shows that Repsol's announced decarbonisation targets are ambitious amongst its peers.

Table 1 Results from TPI assessment of Oil and Gas Sector¹⁹

Target year	2025	2030	2040
Number of peers (including Repsol) with a target for that year	38	32	21
Rank of target in peer group, compared to 2016 baseline	6	6	7

Repsol has separately announced in October 2021, a 2030 absolute emissions target for its Scope 1, 2 and 3 emissions as well as a 2030 net absolute emissions target for its Scope 1,2 and 3 emissions. As very few peers in the Oil and Gas sector have announced absolute emissions targets which cover Scope 3 GHG emissions, the announcement of these targets would place them as ambitious in the peer group, although there is some uncertainty as to the extent of the use of negative and avoided carbon emissions in the calculation of the net emissions metric. A review²⁰ conducted in November 2021 by the Carbon Tracker Initiative (CTI), an independent climate change research organization, has placed Repsol's announced emissions targets as amongst the most ambitious against 9 of its peers, by virtue of having an absolute 2030 emissions reduction target.

Based on the analyses conducted by the TPI and the CTI, which do not directly analyse the SPTs and the CII targets, ISS ESG concludes that the SPTs set by the issuer are ambitious compared to the peers included in the two respective analyses.

Against international targets

Paris Agreement

Repsol's SPTs are interim targets towards net zero GHG emissions by 2050. Some organisations have published guidance documents on net zero emissions and target setting, e.g. the Science Based Target Initiative (SBTi) Net Zero Standard²¹ and the Institutional Investors Group on Climate Change (IIGCC) Net Zero Investment Framework²².

It is not possible to directly compare the SPT with the Paris Agreement, based on the KPI selected. ISS ESG notes that Repsol is part of the Science Based Targets Initiative (SBTi) working group which is developing the Oil and Gas sector methodology.

ISS ESG has reviewed Repsol's internal absolute GHG emissions forecasts in the years related to the intensity targets, as well as the public 2030 absolute net emissions target for the Scope 1, 2 and 3 emissions. Overall, the internal forecasts are in line with the IEA SDS Oil and Gas demand projections for the corresponding years²³. The forecasts and public net emissions target include a small amount of negative emissions.

¹⁹ https://www.transitionpathwayinitiative.org/sectors/9/user_download

²⁰ <https://carbontracker.org/does-repsols-30-emissions-target-add-up/>

²¹ <https://sciencebasedtargets.org/net-zero>

²² <https://www.iigcc.org/download/net-zero-investment-framework-consultation/?wpdmdl=3602&masterkey=5f270ef146677>

²³ ISS ESG was provided with Repsol's internal analysis showing how its internal absolute (Scope 1, 2, 3) CO₂ emission reduction rate related to its intensity targets compares with the IEA SDS Oil and Gas demand projections

The announcement of the 2030 absolute net emissions target for Scope 1, 2 and 3 emissions provides extra disclosure and transparency on the company's decarbonisation strategy. However, in the absence of a common benchmarking methodology for the Oil and Gas sector, it is not yet possible to benchmark the absolute target against the Paris Agreement or other international benchmarks or trajectories.

ISS ESG also recommends that when possible, Repsol provides further disclosure on the amounts and types of negative emissions technologies and carbon sinks that are used to help achieve alignment with the Paris Agreement.

Measurability & comparability

- **Historical data:** The issuer provided relevant historical data by setting the baseline year of its SPTs to 2016 and publicly reporting data for 2020. The company did not have available three individual years of historical data, but 2016 and 2020 covers the relevant historical period and the intervening years has been interpolated by ISS ESG.
- **Benchmarkable:** The SPTs are not benchmarkable against peers nor a common external standard, because industry peers use different metrics and a common external standard does not exist for the sector. The SPTs use a composite KPI based on a calculation methodology developed by Repsol, which includes various subfactors.
- **Timeline:** The issuer defined a precise timeline related to the SPTs achievement in its framework. Target Observation Date, Trigger Event and frequency of SPTs measurement will be described in the bond documentation accompanying potential issuances.

Supporting strategy and action plan

Repsol is planning the following key levers to achieve the SPTs defined in its framework:

1. **Efficiency:** energy efficiency in its processes, including the reduction of methane emissions and hydrocarbon routine flaring.
2. **Portfolio transformation:** Focusing on its upstream business, Repsol will focus on new production pushing down emissions intensity and on declining and/or exiting carbon intensive and non-core assets.
3. **Low carbon fuels:** Progressive introduction of low carbon fuels such as advanced biofuels and biogas from organic waste and synthetic fuels in production mix.
4. **Circular economy:** Developing an efficient chemicals business geared towards the circular economy that recycles a higher percentage of its polyolefin production.
5. **Low carbon power generation:** Increasing share of renewable energy and cogeneration in energy mix.
6. **Technology breakthroughs and carbon sinks:** Investments in CCUS and carbon sinks for CO₂ equivalent emissions that cannot be abated.

The company has also committed to an additional investment of EUR 1 billion, to give a total of EUR 6.5 billion of capital expenditure into low carbon areas, between 2021-2025. This equates to 35% of

Repsol's total CAPEX for the period. Repsol discloses a breakdown on how much each decarbonization lever can contribute to the issuer's overall strategy.

In particular, two low carbon business areas of focus for Repsol are renewable electricity generation and the production of hydrogen from renewable electricity.

The action plan also includes potential use of CCUS, avoided emissions and carbon sinks.

The overall decarbonization trajectory is also accompanied by several sub-targets, such as the following:

- **55%** reduction operated emissions (scope 1+2) by 2030 from the 2016 baseline
- **30%** reduction net emissions (scope 1+2+3) by 2030 from the 2016 baseline
- **85%** reduction of methane emissions intensity by 2025 from the 2017 baseline

More information is available in Repsol's Transition Finance Framework on its action plan towards net zero emissions by 2050 and achievement of the SPTs. In October 2021, Repsol provided additional public information on the various possible decarbonisation levers, new business plans and related planned CAPEX amounts²⁴.

Opinion on SPT calibration: *ISS ESG finds that the SPTs calibrated by Repsol are ambitious against the company's past performance. The SPTs set by Repsol cannot be directly compared with the public commitments and targets from its peers because they use different metrics and calculation methodologies. According to an assessment by the Transition Pathway Initiative, which involves modelling of the oil and gas companies' emissions intensities (thereby providing a consistent metric across the sector), and therefore based on indirect evidence, the SPTs are ambitious against Repsol's peers. In the absence of an international standard or benchmark for the sector, a review of Repsol's internal absolute CO₂ emissions forecasts related to the intensity targets, shows that they are in line with the International Energy Agency (IEA) Sustainable Development Scenario (SDS) Oil and Gas demand projections for 2025, 2030, 2040 and 2050²⁵. In October 2021, Repsol announced its absolute net emissions targets for 2030, which provides additional transparency into the company's decarbonisation strategy. At the same time, Repsol also announced more ambitious targets for its KPI for 2025, 2030 and 2040.*

²⁴ <https://www.repsol.com/en/shareholders-and-investors/socially-responsible-investors/repsol-low-carbon-day/index.cshtml>

²⁵ ISS ESG was provided with Repsol's internal analysis showing how its internal absolute (Scope 1, 2, 3) CO₂ emission reduction rate, which is related to its intensity targets, compares with the IEA SDS Oil and Gas demand projections

1. Validity of the SPO: As long as Repsol's Transition Financing Framework remains unchanged.
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ISS ESG Corporate Rating

The ESG Corporate Rating universe, which is currently expanding from more than 8,000 corporate issuers to a targeted 10,000 issuers in 2020, covers important national and international indices as well as additional companies from sectors with direct links to sustainability and the most important bond issuers that are not publicly listed companies.

The assessment of a company's social & governance and environmental performance is based on approximately 100 environmental, social and governance indicators per sector, selected from a pool of 800+ proprietary indicators. All indicators are evaluated independently based on clearly defined performance expectations and the results are aggregated, taking into account each indicator's and each topic's materiality-oriented weight, to yield an overall score (rating). If no relevant or up-to-date company information with regard to a certain indicator is available, and no assumptions can be made based on predefined standards and expertise, e.g. known and already classified country standards, the indicator is assessed with a D-.

In order to obtain a comprehensive and balanced picture of each company, our analysts assess relevant information reported or directly provided by the company as well as information from reputable independent sources. In addition, our analysts actively seek a dialogue with the assessed companies during the rating process and companies are regularly given the opportunity to comment on the results and provide additional information.

Alignment of the concept set for transactions against the Sustainability-Linked Bond Principles, as administered by ICMA

ISS ESG reviewed the Sustainability-Linked Financing Framework of Repsol, as well as the concept and processes for issuance against the Sustainability-Linked Bond Principles administered by the ICMA. Those principles are voluntary process guidelines that outline best practices for financial instruments to incorporate forward-looking ESG outcomes and promote integrity in the development of the Sustainability-Linked Bond market by clarifying the approach for issuance.

ISS ESG reviewed the alignment of the concept of the Repsol's issuance with mandatory and necessary requirements as per the Appendix II - SLB Disclosure Data Checklist of those principles, and with encouraged practices as suggested by the core content of the Principles.

ISS ESG Green KPIs

The ISS ESG Green Bond KPIs serve as a structure for evaluating the sustainability quality – i.e. the social and environmental added value – of the use of proceeds of Repsol's Transition Financing Instruments.

It comprises firstly the definition of the use of proceeds category offering added social and/or environmental value, and secondly the specific sustainability criteria by means of which this added value and therefore the sustainability performance of the assets can be clearly identified and described.

The sustainability criteria are complemented by specific indicators, which enable quantitative measurement of the sustainability performance of the assets and which can also be used for reporting. If a majority of assets fulfill the requirement of an indicator, this indicator is then assessed positively. Those indicators may be tailor-made to capture the context-specific environmental and social risks.

To review the KPIs used in this SPO, please contact Federico Pezzolato (details below) who will send them directly to you.

Environmental and social risks assessment methodology

ISS ESG evaluates whether the assets included in the asset pool match the eligible project category and criteria listed in the Green Bond KPIs.

All percentages refer to the amount of assets within one category (e.g. wind power). Additionally, the assessment “no or limited information is available” either indicates that no information was made available to ISS ESG or that the information provided did not fulfil the requirements of the ISS ESG Green Bond KPIs.

The evaluation was carried out using information and documents provided to ISS ESG on a confidential basis by Repsol (e.g. Due Diligence Reports). Further, national legislation and standards, depending on the asset location, were drawn on to complement the information provided by the issuer.

Assessment of the contribution and association to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, ISS ESG identifies the extent to which Repsol’s Transition Financing Framework contributes to related SDGs.

Analysis of the KPI selection and associated SPT

In line with the voluntary guidance provided by the Sustainability-Linked Bond Principles, ISS ESG conducted an in-depth analysis of the sustainability credibility of the KPI selected and associated SPT. ISS ESG analysed if the KPI selected is core, relevant and material to the issuer's business model and consistent with its sustainability strategy thanks to its long-standing expertise in evaluating corporate sustainability performance and strategy. ISS ESG also reviewed if the KPI is appropriately measurable by referring to key GHG reporting protocols and against acknowledged benchmarks.

ISS ESG analysed the ambition of the SPT against Repsol's own past performance (according to Repsol's reported data), against Repsol's Oil, Gas & Consumable Fuels peers (as per Transition Pathway Initiative Oil & Gas sector), and against international benchmarks such as the Paris agreement. Finally, ISS ESG evaluated the measurability & comparability of the SPT, and the supporting strategy and action plan of Repsol.

ANNEX 2: Quality management processes

SCOPE

Repsol commissioned ISS ESG to compile a Sustainability-Linked and Use of Proceeds Financing Instruments SPO. The Second Party Opinion process includes verifying whether the Sustainability-Linked Financing Framework aligns with the ICMA's Sustainability-Linked Bond Principles, the Use of Proceeds Financing Framework aligns with the ICMA's Green Bond Principles and to assess the sustainability credentials of its Sustainability-Linked Financing Instruments, as well as the issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA Sustainability-Linked Bond Principles & LMA Sustainability-Linked Loan Principles (2021)
- ICMA Green Bond Principles & LMA Green Loan Principles (2021)
- ICMA Climate Transition Finance Handbook (2020)
- Environmental and social indicators judged as relevant by ISS ESG for the Repsol's Green and Transition eligible project categories

ISSUER'S RESPONSIBILITY

Repsol's responsibility was to provide information and documentation on:

- Framework
- Documentation of ESG risks management applicable for Use of Proceeds categories
- Documentation on Repsol's sustainability policies, reporting and commitments

ISS ESG's VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

ISS ESG has conducted this independent Second Party Opinion of the Sustainability-Linked Financing Instruments to be issued by Repsol based on ISS ESG methodology and in line with the ICMA Sustainability-Linked Bond Principles.

The engagement with Repsol took place from January to April 2021 and from November 2021 to January 2022.

ISS ESG's BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behaviour and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

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ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

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