



2017 ANNUAL AND CORPORATE
RESPONSIBILITY **REPORT**

2017



ANNUAL AND CORPORATE RESPONSIBILITY REPORT

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LETTER FROM THE CHAIRMAN

S.E. SUHAIL AL MAZROUEI
Chairman of Cepsa

“I have no doubt that a great future lies ahead for Cepsa and that its skills will enable it to meet its strategic objectives.”



It is my pleasure to present you with this Annual and Corporate Responsibility Report where we have tried to summarize Cepsa's business operations and milestones for 2017.

As Cepsa's sole shareholder, Mubadala Investment Company has continued to support a transformative process that the company began a few years ago. This process will turn Cepsa into a global energy company of choice based on the skills that set it apart and that it has developed over the 90 years of its history in the world of oil.

I must also commend Cepsa's important work in the production of the Cepsa Energy Outlook 2030, a broad research piece focused on the energy market of today and its perspectives going forward, helping us to create a forecast of what the energy map of the future will look like. The analysis has allowed us to draw up an ambitious future plan to 2030 to strengthen our current business model and consolidate Cepsa as an international, integrated energy company.

Cepsa's team has carried out intense work over the past year with an eye on this future across all of its areas and businesses, which I will aim to look over here.

In the upstream business we celebrated 30 years working in Algeria, where we have robust operations in oil and gas, and where we reached 1 billion barrels of crude produced at our ORD oilfield, the second largest in the country. We also started up a new offshore field in Abu Dhabi, and we signed a new concession agreement for the Timimoun gas field along with Sonatrach and Total.

Meanwhile, the Refining area continued with projects at its production facilities to maximize margins and tighten integration with its chemicals business, a key company strength. The business remains one of Cepsa's core areas and its operational excellence, safe processes and high efficiency, means it competes with the best refineries in the world.

Our marketing business operations were varied and intense over the past year. We launched new products and signed agreements with strategic partners to increase our range of services and launch some of our products in international markets, such as bottled gas and lubricants.

The chemicals business maintained pace with its expansion plans. The business retains its global leadership in the production of LAB and phenol and operates across four continents. Over the past year the area increased its production capacity in LAB, and opened a path into the fatty alcohols market, broadening our range of surfactants.

Cepsa also has a Gas and Electricity business, with an important asset being its Medgaz pipeline. This gas pipeline has a capacity of 8 billion m³ and is capable of transporting 25% of the natural gas imported into the Spanish network.

All of this work in 2017 would not have been possible without Cepsa's corporate support areas which provide the businesses with the resources they need to develop their projects and meet their targets. These support teams are also key in assuring special care is taken with the communities where we operate and in meeting the highest safety, quality and environmental standards.

Cepsa also renewed its commitment to the Principles of the United Nations Global Compact, which it has been part of since 2005, and the Company also continues to rigorously apply its Code of Ethics and Conduct.

With the big challenges facing society in the coming years, we have also committed to helping to meet the United Nation's Sustainable Development Goals for 2030.

I would like to end by thanking all of Cepsa's professionals for the excellent results achieved in 2017 and encourage them to stay on this path. I have no doubt that a great future lies ahead for Cepsa and that its skills will enable it to meet its strategic objectives to be a solid, international, and agile leader that creates value for its shareholder.



LETTER FROM THE DEPUTY CHAIRMAN AND CEO

PEDRO MIRÓ

Deputy Chairman and CEO of Cepsa

“We have established a strategic plan for 2030 with the aim of consolidating our business as a global energy company.”



I begin this overview of our business activity in 2017 by thanking the team of professionals at Cepsa for their invaluable contribution to results I would dare to qualify as excellent. Their commitment and trust in our future project have made it possible. Thank you to everyone.

I would also like to thank our shareholder and the Board for their trust in me, my management team, and all of the staff that make up Cepsa. Being part of Mubadala Investment Company and its firm support for our long-term vision for the business motivates us to take on large scale projects.

One of the most important milestones for the year has been the production and presentation of the research work, Cepsa Energy Outlook 2030. This is our vision of the evolution of the energy market and what the energy map will look like in 2030.

The new scenarios set out in this work helped us to shape a roadmap to 2030 with the aim of consolidating Cepsa as a global energy company, adapting to the needs of the market, strengthening and broadening the areas where we operate, and searching for new opportunities. Indeed, some of the milestones we reached in 2017 formed part of this 2030 plan.

It is also important to highlight the responsible management of our business, which I believe is essential to assuring our sustainable growth over time. To help us get there we approved a route map for the coming years as part of our 2017-2019 Corporate Responsibility Plan. This Plan consists of over 85 actions that affect all the company. In its first year we managed to meet 90% of the objectives we set, an excellent level. There is still a long way to go, but we will continue to work with the same intensity and commitment to meet the objectives.

We are also particularly pleased, given its importance to our daily operations that our safety statistics improved by 19% compared to last year, with a Lost Work-day Injury Frequency ratio of 1.0 in 2017.

And as I mentioned at the start, we are also very pleased with our Adjusted Net result for 2017, which was €884 million, 60% higher than the previous year.

There have been three key factors behind this result. The first, within the business, was work to improve efficiency across various areas from our industrial plants to management processes. The second, was a recovery in the oil price. Benchmark Brent crude rose by 22% from the previous year, to average \$54 a barrel. And lastly, refining margins which averaged \$7.5 a barrel, compared with \$5.6 the previous year.

Turning to our Exploration and Production business, we saw a significant rise in profits thanks to the basket of oils we marketed averaging \$52.6 a barrel versus \$40.2 a barrel in 2016. This rise, combined with our ability to adapt to adverse market conditions in recent years and optimization and cost reduction programs, were key to these solid results.

Meanwhile, operational excellence, once again, at our Refining business assured plant availability was 91% for the year, which helped us to profit as much as possible from exceptional refining margins in the year. We also continued to progress with enhancement projects to improve competitiveness and efficiency, such as the aromatics optimization project at La Rábida refinery, which further strengthens the integration between refining and chemicals.

The work at our marketing business was intense over the past year. We sold 15.9 million tons of petroleum derivative products, we signed new alliances with commercial partners which help us to improve our services for customers, and we also made a significant investment in our service station network to increase our presence in the Madrid region.

The Chemicals business took a particular lead in 2017. We expanded our plant in Brazil to increase LAB production to 260,000 tons and maintain our leadership in this market, and we signed an agreement with ADNOC to study the construction of a new LAB plant in Abu Dhabi.

We also started a new natural fatty alcohol business line having inaugurated a new plant in Dumai in Indonesia where we started production in September.

Our Gas and Electricity business also had a good year with results 34% higher than in 2016. The area benefited from higher electricity prices, and slightly lower gas sales were offset by electricity production rising by a third. Meanwhile, another milestone for the business was reached when we began construction of our first wind farm situated in Jerez de la Frontera.

The Trading area supplied our refining system with a total of 156.3 million barrels of crude from 20 different countries and has sold 12.8 million barrels of our own crude, contracting 1,335 ships and managing a 20-strong time charter fleet.

Over the year we made a total of €888 million of investments to assure we progress with our future strategy using our current strengths to drive our growth. The investments will also help us to maintain our leadership with the support of our integrated model as a guarantee of our competitiveness and sustainability. We must also always keep safety in mind as one of our main values and something that is essential for our development.

Lastly, I would like to underline the commitment of Cepsa's professionals to this future, a future that we are building between us all. We are all aware of the magnitude of the task and ready and willing to meet the challenges that may arise, but trust that we will make Cepsa an international energy company of choice.

CHAPTER 1

CEPSA AT A GLANCE



THIS YEAR'S
MILESTONES

“CEPSA ENERGY OUTLOOK IS OUR
PIONEERING VISION OF THE FUTURE
OF ENERGY.”

1.1 THIS YEAR'S MILESTONES

1 **CEPSA IS NOW PART OF MUBADALA INVESTMENT COMPANY***

The merger between IPIC and Mubadala integrates us into a leading fund in the energy sector enabling us to increase synergies and position ourselves as a leading company.



2 **NEW CODE OF ETHICS AND CONDUCT APPROVED**

Strengthening our identity as a company of integrity which operates responsibly with our stakeholders.



3 **CEPSA ENERGY OUTLOOK (CEO 2030) PRESENTED TO THE WORLD**

The document presents, in a pioneering and distinctive approach, the future of energy and has defined the environment for us to develop a sustainable strategy.



4 **NEW CORPORATE RESPONSIBILITY MASTER PLAN**

This will allow us to strengthen responsible management of our activities and to develop best practices in the field of Corporate Responsibility via more than 85 actions included in the plan.



5 **FRC MONITORING AUDIT APPROVED**

We successfully renewed our certifications as a Family Responsible Company applicable to Cepsa Corporate, Cepsa Chemicals, Cepsa Commercial Oil and Cepsa Exploration and Production, maintaining our commitment to creating a working environment which strikes the right work-life balance.



6 **PRODUCTION CAPACITY AT LAB PLANT IN BRAZIL INCREASED**

Strengthening our global leadership in the manufacture of LAB, the raw material for the production of biodegradable detergents.



7 **EFFICIENCY IMPROVEMENT PROJECTS AT REFINERIES LAUNCHED**

With the increase in the capacity of Isomax unit, in Gibraltar San Roque, and optimization of aromatics at La Rábida.



8 **COMBINED CYCLE PLANT AT SAN ROQUE OPERATIONAL ONCE MORE**

Puente Mayorga Generación resumes activity following the reconstruction of the high voltage line.



* Throughout this Report, any mention to 'our sole shareholder' or 'sole shareholder', refer to us being part of the Mubadala Investment Company.

CHAPTER 1

Cepsa at a glance

9 NEW OILFIELD IN ABU DHABI STARTS PRODUCTION

The Hail oil-field enabled us to increase our production of crude oil significantly.



10 ACQUISITION OF BIOFUEL PLANT IN SAN ROQUE

We finalised the integration of this plant at our San Roque facilities enabling us to develop and to have integrated management of the biofuel business.



11 BOTTLED GAS MARKETED IN THE CANARIES AND PORTUGAL

Opening up new markets for our safe, efficient bottles of gas, which are lighter than traditional ones.



12 WE ACQUIRE 23 SERVICE STATIONS IN MADRID AND TOLEDO

One of the most significant Service Stations acquisitions in Spain.



13 FIRST STEP TOWARDS RENEWABLE ENERGY

Through the acquisition of the Alijar II wind farm, in Jerez de la Frontera (Cadiz).



14 NEW NATURAL OIL BASED ALCOHOL PLANT IN INDONESIA

The new chemical plant, Sinar Mar Cepsa, produces alcohols and fatty acids from sustainable palm kernel oil, which are used to make personal hygiene products, cosmetics and domestic cleaning products.



15 AGREEMENT WITH ADNOC TO STUDY THE CONSTRUCTION OF A PLANT IN ABU DHABI

The agreement contemplates the assessment to jointly develop a new petrochemical LAB facility on a global scale in Ruwais.



16 NEW CONTRACTUAL FRAMEWORK FOR GAS FIELD CONCESSION IN TIMIMOUN

We concluded a new agreement with our partners Sonatrach and Total. Production is planned to start in 2018 with a maximum production forecast of 5 million cubic meters per day.



Note: Throughout this report the word 'site' refers to Cepsa's management system for its businesses in San Roque, Canary Islands, and Palos.

1.2 CEPSA IN NUMBERS

Results (Millions of euros)	2017	2016	2015
Revenue	18,212	15,455	17,452
Adjusted EBITDA ¹	1,874	1,549	1,766
Adjusted net attributable profit	884	553	596
Net attributable profit (IFRS ²)	743	602	-1,040

Financial data (Millions of euros)	2017	2016	2015
Share capital	268	268	268
Equity attributable to the Parent Company	4,916	4,572	4,306
Net financial debt	1,722	2,109	2,923
Investments during the year	888	572	1,052
Investment in social actions	4.5	4.5	5.2
Dividends distributed by Cepsa	332	332	327

Operational data	2017	2016	2015
Crude oil output (working interest) (barrels/day)	92,114	96,778	108,122
Crude oil sales (barrels/day)	37,089	46,458	48,362
Crude oil distilled (barrels/day)	423,906	433,784	433,699
Product sales (Millions of tonnes)	28.9	27.2	27.2
Electricity output (GWh)	2,808.6	2,140.2	2,040.3
Natural gas sales (GWh)	27,972	28,409	30,083

Markets and business data	2017	2016	2015
Brent crude oil price (\$/barrel)	54.3	43.7	52.5
Cracking refining margin (\$/barrel)	6.8	5.7	7.7
Hydroskimming refining margin (\$/barrel)	2.2	0.6	0.9
Electricity pool price (€/MWh)	52.2	39.6	50.3
Natural gas price (Henry Hub Spot €/MWh)	9.15	7.63	8.02
Exchange rate (€/€)	1.130	1.107	1.110
Three-month Euribor (%)	-0.329	-0.291	-0.02
CPI (%)	1.1	1.6	0.0

Other performance figures	2017	2016	2015
Number of employees	9,837	9,823	10,512
Female workers (%)	36	35	34
Employees with permanent contract (%)	91	92	91
Hours of training ³	208,562	237,728	372,812
Number of occupational accidents resulting in leave ⁴	25	34	57
Absenteeism rates due to common illness ² (%)	2.32	2.23	2.38
Local contracting ⁵ (%)	50	55	53
GHG emissions ⁶ (Scope 1 y 2) (thousands of tCO ₂ eq)	6,886	6,698	7,242
Total energy consumed ⁶ (thousands of GJ)	92,272	87,974	91,485
Water collected volume ⁶ (thousands of m ³)	50,241	33,794	36,910
Volume of waste water ⁶ (thousands of m ³)	41,663	19,166	15,455
Raw materials consumption ⁶ (thousands of tonnes)	35,400	28,548	28,550
Total waste managed ⁶ (tonnes)	62,641	51,476	66,234

¹ Numbers include Corporation: -50, -62.4 and -72 for 2017, 2016 and 2015 respectively. ² International Financial Reporting Standards. ³ Spain employees. ⁴ Accidents resulting in temporary or permanent leave or death. Cepsa staff only. ⁵ For Spain only. ⁶ Data for 2015 and 2016 have been revised due to criteria changes and recalculations.

CHAPTER 2

WHO WE ARE



MISSION, VISION
& VALUES

“OUR MISSION IS TO OFFER
THE BEST ENERGY SOLUTION
FOR END CONSUMERS.”

2.1 MISSION, VISION & VALUES

“We have managed to consolidate Cepsa as a leading company thanks to Cepsa's professionals, our experience in the sector, and our integrated business model.”

Our Company operates across all phases of the oil and gas value chain, as well as manufacturing plant-based raw materials and has operated, since 2017, in the renewable energy sector.

Thanks to the close to 10,000 professionals that make up Cepsa, located in more than 20 countries, our nearly 90 years experience in the sector, and our integrated business model, we have firmly established ourselves as a leading com-

pany, with innovative products and services and with the mission of providing the best energy solution to our end users.

And our vision is to become a global energy company of choice, by strengthening our integrated model based on international growth; maintaining our product leadership position as an agile and flexible company, and generating sustainable value.

OUR VALUES



CONTINUOUS IMPROVEMENT

Promoting the talent and knowledge of our professionals.



SAFETY

Of our employees and customers. A top priority.



SUSTAINABILITY

Thanks to our respect for the environment and for the communities where we operate.



LEADERSHIP

Defending our interests through effort and ambition with integrity and honesty.



SOLIDARITY

The value of our team's positive attitude extends to our customers and suppliers.

CHAPTER 2

Who we are

2.2 CEPSA AROUND THE WORLD

We are present in more than 20 countries where we provide energy solutions to our customers thanks to the work of close to 10,000 professionals.

-  UPSTREAM
-  EXPLORATION
-  PRODUCTION
-  REFINING
-  CHEMICALS
-  DISTRIBUTION & SALE OF OIL-RELATED PRODUCTS
-  DISTRIBUTION & SALE OF CHEMICALS
-  TRADING & BUNKER
-  GAS & ELECTRICITY
-  MEDGAZ GAS PIPELINE
-  RENEWABLE ENERGY PRODUCTION
-  CORPORATE
-  ACTIVITIES LAUNCHED IN 2018





CHAPTER 2

Who we are

2.3 OUR ACTIVITIES



EXPLORATION & PRODUCTION

Our Exploration and Production unit focuses on oil and natural gas exploration, development and production on land and sea. We have a presence in Spain, Latin America, North Africa, the Middle East and Asia.

We are currently the second largest producer of oil in Algeria and we have a diversified portfolio with onshore, offshore and deep offshore assets.



REFINING

This business unit converts crude into oil products for sale on the markets. It operates in a fully integrated manner with other Cepsa businesses such as Trading, Marketing and Chemicals in order to maximise margins in the oil value chain.

We have three refineries and a total crude distillation capacity of 27 million tonnes a year, 31% of the installed capacity in Spain.¹



CHEMICALS

Our chemical plants, fully integrated with the refineries, manufacture high added value raw materials.

We have facilities in Germany, Brazil, Canada, China, Nigeria, Spain and Indonesia. We are global leaders in the manufacture of LAB² (the raw material used to produce biodegradable detergents) and cumene³, and the second largest producers of phenol and acetone⁴, used in next generation plastics.



¹ Source: Asociación Española de Operadores Petrolíferos (AOP)

² Report by Colin A. Houston & Associates September 2017

³ Raw material used to produce Fenol

⁴ Source: IHS Markit

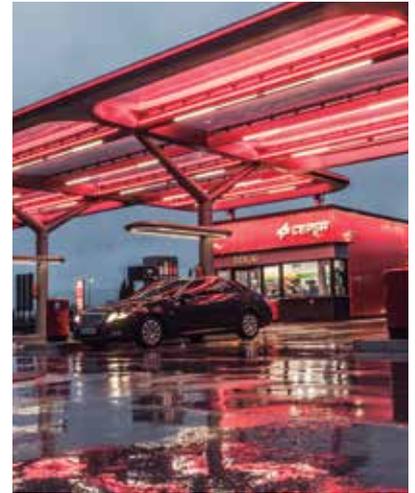


DISTRIBUTION & MARKETING

This unit is responsible for the sale and delivery of our products to end consumers.

Through our petroleum products we are present across the world; we sell butane, propane, motor fuels, marine and aviation fuels, lubricants and asphalts, among many others.

We have our own sales channels and an extensive network of subsidiaries, agents and distributors. We are positioned in the market as a company of high quality products and services.



GAS & ELECTRICITY

We transport natural gas internationally via the MEDGAZ pipeline, and supply to wholesale and retail markets. We provide electricity to industrial customers and consumers in the service sector.

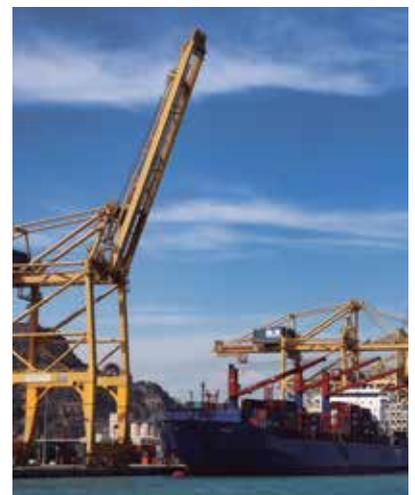
At our main industrial centres, we have electricity and steam co-generation plants, and following the acquisition of the Aljjar II Wind Farm in Jerez in 2017, we have entered renewable energies.



TRADING & BUNKER

Our Trading unit supplies crude and other products to our refineries. It also sells the crude produced at our oilfields and the product surplus.

The Bunker unit supplies fuel to ships. We are leaders in Spain* and we have operations at strategic supply points: The Strait of Gibraltar, the Panama Canal, and the Port of Fujairah. We carry out this work via pipeline, tankers or by means of tenders, in accordance with very strict safety and quality standards.



* Source: Puertos del Estado

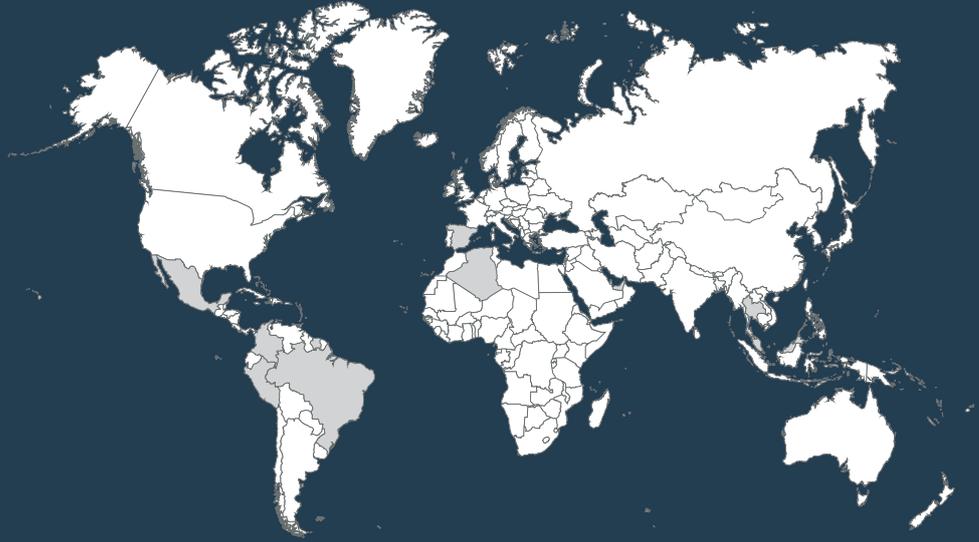
CHAPTER 2

Who we are



EXPLORATION & PRODUCTION

"We operate a diversified business with both onshore and offshore assets."



COLOMBIA

In onshore production (crude oil) operated by Cepsa:

- Caracara (70%), Tiple (70%), Garibay (50%), Puntero (100%), Llanos 22 (55%), Jilguero (57.8%) located in the Los Llanos basin.

In onshore exploration (crude oil) operated by Cepsa:

- Merecure (70%), CPO 14 (100%), located in the Los Llanos basin.

In onshore production (crude oil) not operated by Cepsa:

- La Cañada Norte (17%), located in the upper Magdalena valley.



PERU

- Block 131: Located in the Ucayali basin. 100% operated by Cepsa. Onshore.
- TEA Area XLIV: Located in the Ucayali basin. 100% operated by Cepsa. Onshore.



BRAZIL

- Offshore exploration blocks 717 and 665 located in the Ceará basin. Not operated by Cepsa (50%).



SURINAME

- Offshore exploration block 53. Located in the Guyana-Suriname basin. Cepsa (25%), not operated.



SPAIN

- Four offshore production concessions with crude oil production off the coast of Tarragona: Casablanca (7.4%), Rodaballo (15%), Boquerón (4.5%) and Montanazo (7.25%). Not operated by Cepsa.



ALGERIA

- Rhourde el Krouf (RKF) oil field. Located in the Berkine basin. 100% operated by Cepsa and in production. Onshore.
- Ourhoud oilfield. Located in the Berkine basin. Cepsa (37.1%), joint operation in production. Onshore.
- BMS oilfield. Located in the Berkine basin. Cepsa (45%) (pending approval of 30% acquisition from Petronas), joint operation in production. Onshore.
- Rhourde er Rouni II oilfield. Located in the Berkine basin, Cepsa is the operator with a 49% share. Onshore.
- Timimoun gas field. Located in the Timimoun basin, Cepsa (11.25%), joint operation. Onshore.



UNITED ARAB EMIRATES

- Cepsa holds a 12.9% share in ADOC through the company CEPAD. Four offshore production wells (Uhm Al Anbar, Neewat Al Galan, Mubarraz and Hail), off the coast of Abu Dhabi. Not operated by Cepsa.



THAILAND

- Offshore block G5/43 located in the Gulf of Thailand. In production, 100% operated by Cepsa.
- 39% ownership of APICO with exploratory interests onshore in Thailand and in onshore gas field (Sinphuhorn).



MALAYSIA

- Kapal Banang Meranti (KBM). Risk Service Contract (RSC). Located off coast of Malaysia. Offshore. Operated by Coastal Energy KBM, Cepsa 70% and in production.
- Offshore block PM- 316. Located off the coast of Malaysia, operated by Cepsa (80%). In abandonment phase.

CHAPTER 2

Who we are

Business data	2017	2016	2015
Net revenue of business to external customers (Millions of euros)	589	534	706
Adjusted EBITDA (Millions of euros)	497	444	549
Capital expenditure in the year (Millions of euros)	170	172	543
Working interest production (thousands of barrels per day)	92.1	96.8	108.1
Net entitlement production (thousands of barrels per day)	65.4	72.2	77.9

* Excludes sales to group companies.

Production 2017	Type of reserve	Type of environmental operation	Working interest production (Mmboe)	Net entitlement production (Mmboe)
ADOC*	Crude oil	Onshore	1.04	1.04
Algeria	Crude oil/Gas	Onshore	21.42	12.48
Colombia	Crude oil	Onshore	4.60	4.23
Spain	Crude oil	Onshore	0.06	0.06
Peru	Crude oil	Onshore	1.08	1.08
SEA*	Crude oil/ Gas/ Condensate	Onshore	5.42	4.98
Total	-	-	33.62	23.87

* ADOC: Abu Dhabi Offshore Company

* SEA: South East Asia

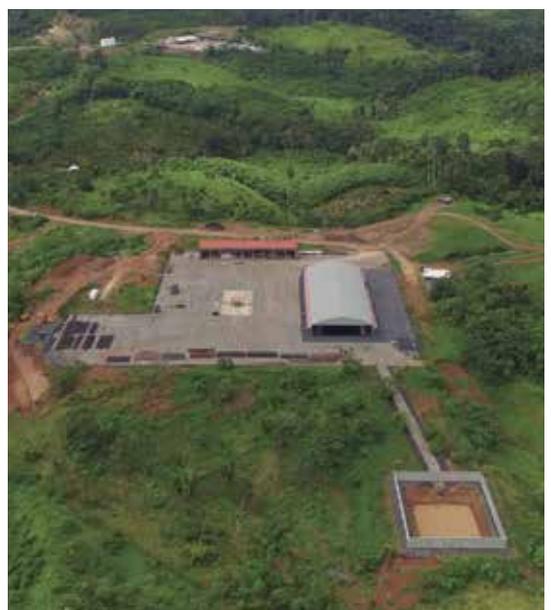


2017 MILESTONES

- 1 30 YEAR CELEBRATION OF CEPESA'S OPERATIONS IN ALGERIA**, displaying our activity in the country and future projects.
- 2 APPROVAL AND DEVELOPMENT OF THE DECOMMISSIONING PROJECTS IN THAILAND**, performed under strict safety and environmental conditions.
- 3 30% SHARE ACQUIRED IN THE LOS ANGELES FIELD**, located in Peru. Following this acquisition Cepsa now has a 100% stake in this oilfield.
- 4 FINALIZATION OF THE 3D SEISMIC EXPLORATION AT MEREURE, COLOMBIA**, to identify and evaluate new business opportunities.
- 5 SIGNING OF A NEW CONTRACTUAL FRAMEWORK WITH OUR PARTNERS SONATRACH AND TOTAL** for the Timimoun natural gas field concession.
- 6 LAUNCH OF HAIL PRODUCTION, THE NEW OILFIELD IN ABU DHABI**, where we have operated a subsidiary since 2013.

2018 CHALLENGES

- 1 OBTAIN THE CONCESSION FOR THE SARB AND UMM LULU OFFSHORE FIELDS**, off the coast of Abu Dhabi.
- 2 INCREASE OUR STAKE IN THE BMS OILFIELD TO 75%**, Algeria.
- 3 LAUNCH OF PRODUCTION IN TIMIMOUN**, the first natural gas field in which Cepsa has participated.
- 4 SIGNING AND APPROVAL OF NEW CONCESSION PROJECT FOR THE RKF PROJECT**.
- 5 ENTRY IN MEXICO**, increasing our operations in Latin America.



CHAPTER 2

Who we are



REFINING

"The Refining business is fully integrated with the Trading, Chemicals and Marketing and Distribution business units."

The Refining business unit's commitment to sustainability is based on three main pillars:

- Operational excellence, ensuring safe production processes that are optimized and environmentally friendly while respectful of the communities close to our plants.
- Progressive integration with other Cepsa Business Units.
- Search for growth opportunities in other geographic areas.

PLANTS AND CAPACITY:

ASESA (50%)

845,000
tonnes/year.

GIBRALTAR SAN ROQUE

12 million
tonnes/year.

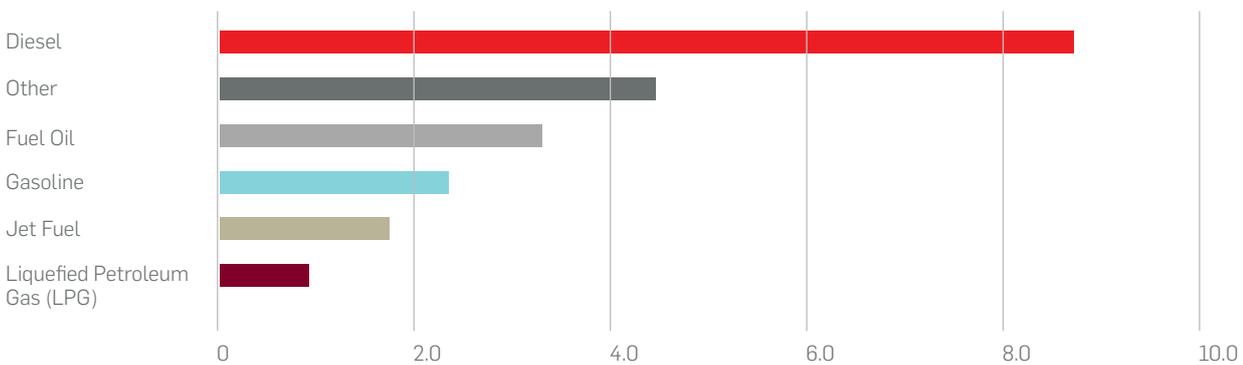
LA RÁBIDA

10 million
tonnes/year.

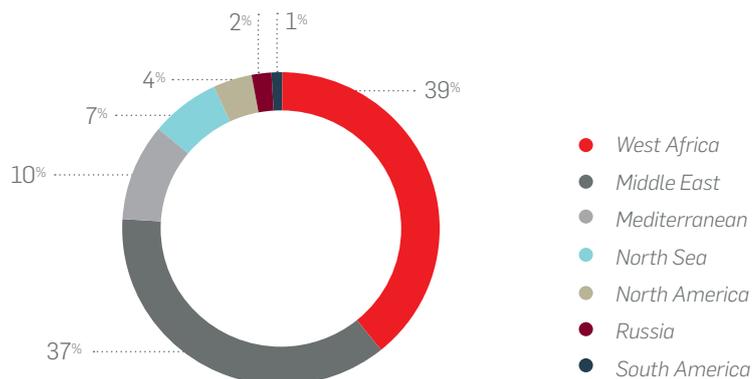
TENERIFE

4.5 million
tonnes/year.

JOINT REFINERY PRODUCTION
(Millions of tonnes)



ORIGIN OF CRUDE FY 2017



Business data	2017	2016	2015
Distilled crude (barrels/day)	423,906	434,734	433,699
Net revenue of business to external customers (Millions of euros)	23	248	182
Adjusted EBITDA (Millions of euros)	775	558	722
Capital expenditure in the year (Millions of euros)	281	208	177

2017 MILESTONES

- 1 LAUNCH OF THE AROMATICS OPTIMIZATION PROJECT AT LA RÁBIDA REFINERY**, to improve the efficiency of the plant and integration between Refinery and Chemicals.
- 2 CONTINUATION OF THE OPTIMIZATION PROGRAMMES (ROP)**, with the implementation of 279 projects and CROP (Continuous Refining Optimization Program), with 104, which have achieved significant improvements in refining margins.
- 3 COMMISSIONING OF THE SAN ROQUE BIOFUEL PLANT (CBSR)**, which produces and supplies the bio-components that are added to diesel.

2018 CHALLENGES

- 1 IMPROVE THE SAFETY, ENVIRONMENTAL AND ENERGY EFFICIENCY INDICES AT OUR PLANTS.**
- 2 CONTINUE WITH THE AROMAX UNIT EXTENSION PROJECT** at La Rábida to increase production of benzene and hydrogen.
- 3 COMMISSIONING OF THE SORBEX II UNIT**, at Gibraltar San Roque, which will increase our production of metaxylene, a raw material for the chemical market.
- 4 START OF THE 'BOTTOM-OF-THE-BARREL' PROJECT**, once the necessary permits have been obtained, which will increase the yield of the conversion of heavy products to intermediate products.



CHAPTER 2

Who we are



DISTRIBUTION & MARKETING

1,815

Service stations.

LPG

105

distributors.

35

agencies.

11

production plants, 7 of which are also bottling plants.

OPERATIONS AT MAIN SPANISH AIRPORTS & IN FARO (PORTUGAL)

2

lubricant plants, 1 of which also manufactures refrigerant products.

6

Asphalt terminals.

33

Fuel stations for fishing boats in Spain.

“We work to provide our customers with the right energy solutions to meet their needs, offering safe, innovative, and quality products.”

Sales of petroleum products (Thousands of tons)	2017	2016	2015
Automotive fuels	7,908	7,758	8,023
Gasoline	1,654	1,578	1,666
Diesel (auto)	6,254	6,180	6,357
LPG	259	282	274
Other ⁽¹⁾	13,435	12,504	11,816
Total	21,602	20,544	20,114

¹ Reflects the sales of lubricants, bunkers, asphalts, aviation fuels and others.

2017 MILESTONES

- 1 INTERNATIONAL EXPANSION OF OUR BUSINESS**, via the introduction of bottled gas in Portugal and the entry into the French market with the sale of bitumens.
- 2 ACQUISITION OF 23 SERVICE STATIONS IN MADRID AND TOLEDO.**
- 3 ACQUISITION OF THE FAME MANUFACTURING PLANT IN SAN ROQUE**, and launch of the bio business, for the manufacture of biofuels.
- 4 LAUNCH OF NEW RANGE OF LUBRICANTS FOR MOTORCYCLES: XTAR MOTO**, specifically designed to meet the highest demands of next-generation motorcycles and mopeds.
- 5 IMPLEMENTATION OF A NEW CONTACT MANAGEMENT AND INCIDENT RESOLUTION MODEL** based on customer experience.



2018 CHALLENGES

- 1 LAUNCH OF CEP SA HOGAR**, a package consolidating natural gas, electricity and vehicle fuel to the end consumer.
- 2 CONTINUATION OF MARKETING AND DISTRIBUTION BUSINESS EXPANSION** in new international markets.
- 3 IMPLEMENTATION OF THE CAR WASH FRANCHISE MODEL WASHHH** at our service station network.
- 4 START UP OF NEW CUSTOMER-CENTRED WEBSITE** more tailored to their needs, with greater marketing focus and more features for them to manage their needs.
- 5 INTRODUCTION OF QUICK ELECTRIC CHARGING POINTS IN SPAIN** at service stations on major roads.
- 6 CONTINUE TO STRENGTHEN THE CUSTOMER SERVICE MODEL AND IMPROVE CUSTOMER EXPERIENCE.**



CHAPTER 2

Who we are



CHEMICALS

SPAIN

PUENTE MAYORGA
(San Roque, Cádiz)

LAB
200,000
tonnes/year.

LABSA
80,000
tonnes/year.

PARAFFINS
400,000
tonnes/year.

PALOS DE LA FRONTERA
(Huelva)

CUMENE
1,000,000
tonnes/year.

PHENOL
600,000
tonnes/year.

ACETONE
370,000
tonnes/year.

CHINA
SHANGHAI

CUMENE
360,000
tonnes/year.

PHENOL
250,000
tonnes/year.

ACETONE
150,000
tonnes/year.

INDONESIA
DUMAI

ALCOHOLS
160,000
tonnes/year.

FATTY ACIDS
25,000
tonnes/year.

GLYCERINE
200,000
tonnes/year.

BRAZIL
SALVADOR DE BAHÍA
(Deten)

LAB
230,000
tonnes/year.

LABSA
120,000
tonnes/year.

CANADA
BÉCANCOUR

LAB
140,000
tonnes/year.

GERMANY
GENTHIN

SURFACTANTS
100,000
tonnes/year.

“We have international operations and our global leaders, thanks to an integrated and diversified portfolio.”

Economic data	2017	2016	2015
Consolidated sales of petrochemical products (Millions of tonnes)	2.9	2.9	2.8
Net revenue of business to external customers (Millions of euros)	2,458	2,149	2,313
Adjusted EBITDA (Millions of euros)	239	225	138
Capital expenditure in the year (Millions of euros)	116	86	172

2017 MILESTONES

- 1 ALCOHOLS PLANT COMMISSIONING IN DUMAI (INDONESIA)**, strategically fortifying our leadership position in the production of raw materials to manufacture biodegradable detergents.
- 2 NEW GENERATION OF CATALYSTS AT BÉCANCOUR CHEMICAL PLANT**, which has enabled us to make savings in the consumption of raw materials and gives the plant greater versatility.
- 3 SIGNING OF A MEMORANDUM OF UNDERSTANDING (MOU) TO EVALUATE THE CONSTRUCTION OF A LAB PLANT IN ABU DHABI**, together with ADNOC.
- 4 REVAMPING OF DETEN** in order to meet rising demand for LAB/LABSA in Brazil.
- 5 WE ACQUIRED 30% OF CSCHEM IN 2017**, a leading LABSA producer in Nigeria.
- 6 PIONEERS IN OBTAINING THE ENVIRONMENTAL PRODUCT DECLARATION (EPD) FOR LAB AND LABSA** at our Puente Mayorga and Bécancour plants.



2018 CHALLENGES

- 1 LAUNCH OF REVAMPING AND NEW TECHNOLOGIES AT THE PUENTE MAYORGA CHEMICAL PLANT (CÁDIZ)**, with the aim of increasing its capacity to 250,000 t/year.
- 2 IMPLEMENTATION OF DIGITAL MANUFACTURING AT OUR PLANTS**, digital program to set up different projects and initiatives at the production facilities and to build internal digital skills.
- 3 CONSOLIDATION OF THE ALCOHOLS PLANT IN INDONESIA**, strengthening operations and developing the market.



CHAPTER 2

Who we are



GAS & POWER

MEDGAZ GAS PIPELINE

80%
use by customers.

Investment of
€900M

25%
of gas imported by the
Spanish system.

210 Km
underwater.

2,160 m
maximum depth.

8,000 Mm³/year
of capacity.

ELECTRICITY POWER SALES

2,809 GWh

GAS SALES

27,972 GWh

ELECTRICITY GENERATION IN SPAIN*

Palos site	Plant	Direct stake	MW capacity
Cogeneration	La Rábida 1	70%	50
Cogeneration	La Rábida 2	100%	51
Cogeneration	Gemasa	70%	27

San Roque site	Plant	Direct stake	MW capacity
Cogeneration	Gegsa I & II	70%	74
Cogeneration	Getesa	70%	41
Cogeneration	Lubrisur	100%	39
Combined Cycle	Puente Mayorga Generación	100%	390

* Does not include cogeneration plants ASESAs (50% Cepsa), or COTESAs as they are unavailable.

Business data	2017	2016	2015
Natural gas sales (GWh)	27,972	28,409	30,083
Electricity sales (GWh)	2,809	2,140	2,040
Steam sales (Thousands of tonnes)	4,871	4,660	4,428
Net revenue of business to external customers (Millions of euros)	729	620	769
Adjusted EBITDA (Millions of euros)	49	37	21
Investments (Millions of euros)	21	7,6	28

2017 MILESTONES

- 1 **COMMISSIONING OF THE PUENTE MAYORGA (CÁDIZ) COMBINED CYCLE PLANT**, following the reconstruction of the high voltage line.
- 2 **PURCHASE OF TOTAL'S SHARE IN CEPESA GAS COMERCIALIZADORA**, resulting in control of the shareholding.
- 3 **ENTRY INTO RENEWABLE ENERGY BUSINESS**, following the acquisition of the Alijar II Wind Farm project in Jerez de la Frontera.
- 4 **LAUNCH OF ELECTRIC POWER TO SMES**, from 100% renewable sources.



2018 CHALLENGES

- 1 **EXPANSION OF RENEWABLE ENERGY GENERATION PROJECTS.** Following the completion of the construction work at the wind farm in Jerez (Cadiz), we will continue to search for new projects to increase the Company's renewables production.
- 2 **INCREASE THE USE OF MEDGAZ ABOVE 80%**, enabling more natural gas to be transported to the Iberian Peninsula, optimizing the use of the gas pipeline and increasing its capacity.



CHAPTER 2

Who we are



TRADING & BUNKER



SPAIN

OPERATIONS AT 47 PORTS
via tanks.

7 SUPPLY TERMINALS

11 BARGES



PANAMA

OPERATIONS
at Balboa and Cristóbal ports.



PORT OF GIBRALTAR

RESTART
of supply activities.



UNITED ARAB EMIRATES

FUEL SUPPLY
At Fujairah port.

Business data	2017	2016	2015
Supplies to Cepsa's refining system (Millions of barrels)	156.3	157.7	157.9
Marketing of the Company's crude oil (Millions of barrels)	12.8	16	12,5
Petroleum product transactions for the Company and third parties (Millions of tonnes)	10.0	8,7	7,1
Physical Trading (Millions of tonnes)	4.0	3,8	3,1
Proprietary trading using derivative financial instruments (Millions of barrels)	32.7	40,9	28,7
Vessel chartering management	1,335	1,142	981
Marine fuel sales (Millions of tonnes)	5.7	5.1	5

2017 MILESTONES

- 1 BROADEN THE RANGE OF FUELS OFFERED**, adapted to the new ECA regulations and covering a greater range of demand in the different ports where we operate.
- 2 GEOGRAPHIC EXPANSION OF BUNKER OPERATIONS**, restarting supply at the Port of Gibraltar.
- 3 SUPPLY OF GREATER VARIETY OF CRUDE TO REFINERIES**, having reached 44 different types from 20 countries, including 7 new types of crude used for the first time at our plants.
- 4 OVER ONE MILLION TONNES OF PRODUCTS SOLD IN MOROCCO.**



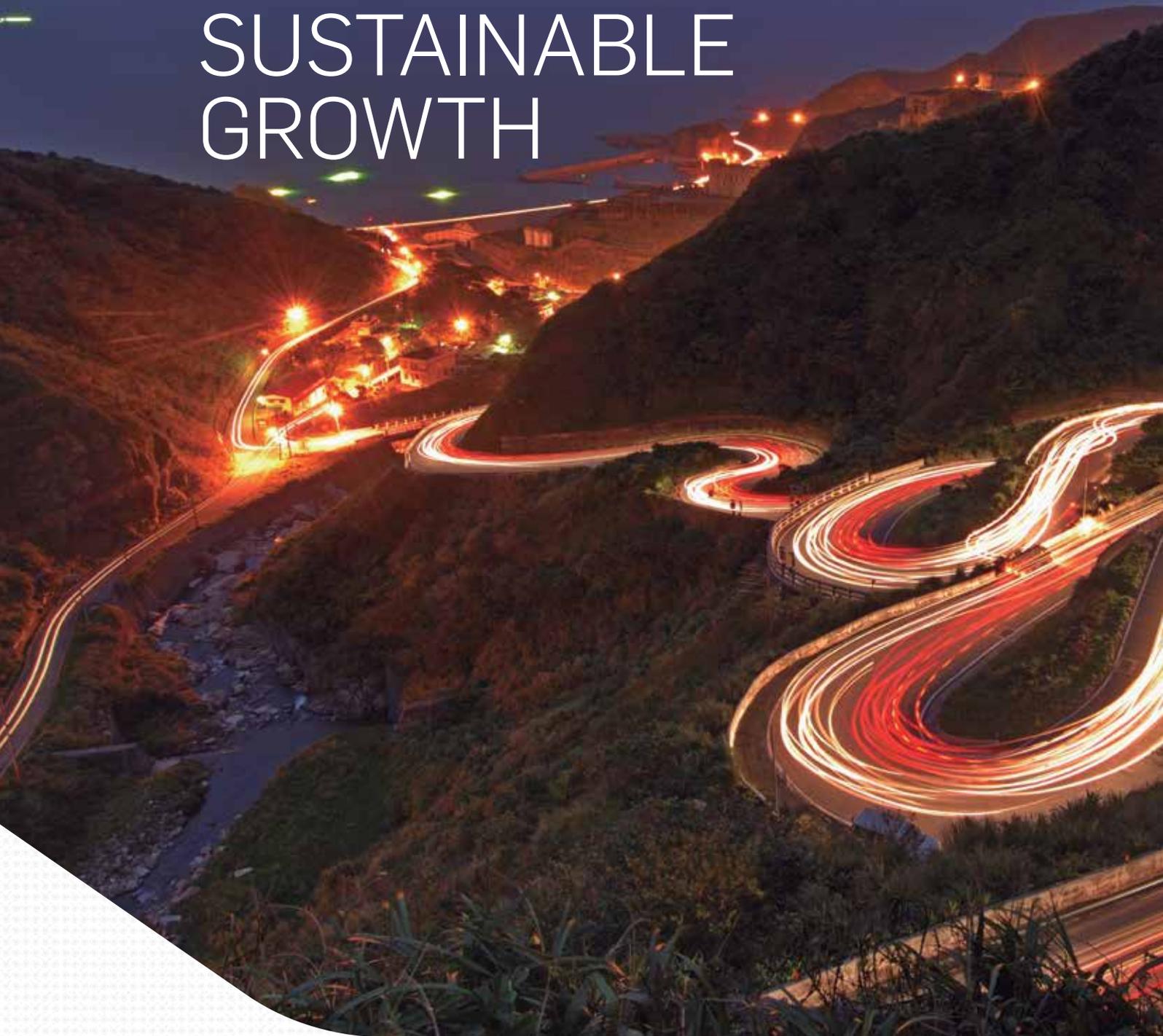
2018 CHALLENGES

- 1 ADAPT OUR SUPPLY RESOURCES TO THE NEW MARPOL 2020 RULES**, which regulate marine fuel, by supplying vessels with liquefied natural gas.
- 2 STRENGTHEN THE COMPANY'S TRADING ACTIVITIES**, working with other Business Units to increase added value, exploring all synergies and striving for the closest possible integration.
- 3 INTEGRATE TRADING CAPABILITIES INTO BUNKER BUSINESS MANAGEMENT**, capitalizing on the synergies between the two businesses to achieve greater efficiencies in a changing and competitive environment.
- 4 CONSTANTLY ADAPT TO THE REQUIREMENTS OF CRUDE SUPPLY FOR THE REFINERIES** (variety and flexibility) and to the change in the balance of products in the Cepsa system.



CHAPTER 3

SUSTAINABLE GROWTH



VISION 2030

“SCENARIOS AND FACTORS FOR THE FUTURE HIGHLIGHT THE IMPORTANCE FOR US TO WORK WITH THE SUPPORT OF THE SKILLS THAT SET US APART.”

3.1 VALUE CREATION STRATEGY

ECONOMIC & SOCIAL ENVIRONMENT: 2030 VISION

One of the key milestones this year was the release of the research document *Cepsa Energy Outlook 2030*.*

Cepsa Energy Outlook 2030 (CEO 2030) is our vision of society and energy markets. CEO 2030 defines our outlook on the future of the energy sector and its challenges in a phase of unprecedented change in the sector.

Using a pioneering and distinctive approach to the future of sector, CEO 2030 has defined the environment in which we will develop a long-lasting and sustainable strategy for our Company.

Economic growth expectations, driven by emerging economies, will bring with them an increase in demand for energy globally.

Meanwhile, the gradual increase in regulatory pressure related to the environment will change both production and energy consumption habits.

These energy consumption habits will be influenced by improvements in terms of efficiency which will have an impact on how the sector develops in the coming years; and together with the other external factors will transform the current energy panorama globally.

	<h4>ECONOMY</h4> <ul style="list-style-type: none"> • Global GDP will grow at a similar rate seen over the last 15 years. • Developed countries will continue to contribute the majority of GDP in absolute terms, but will lose share to emerging countries due to the growth of the middle class.
<h4>REGULATORY FRAMEWORK</h4> <ul style="list-style-type: none"> • Implementation of initial measures to regulate emissions as defined by the COP21 in Paris. • Implementation of Marpol sulphur emissions regulation. 	
	<h4>ENERGY SECTOR</h4> <ul style="list-style-type: none"> • Energy demand will grow at a slower rate than in the last 15 years due to improvements in efficiency. • There will be substantial growth in the demand for energy, with the regions of developing economies being the only ones to contribute to this growth

*Available at: www.cepsa.com/the-company/strategy/cepsa-2030

CHAPTER 3

Sustainable growth



DEMAND

- Global energy **demand** will increase at half the rate of the last 15 years due to improvements in efficiency.



ENERGY MIX

- The global **energy mix** will continue to be dominated by fossil fuels, despite the fact that their percentage will drop due to the rate of growth of renewables.



ELECTRICITY

- **Electricity** will be the fastest growing end type of energy given the increase in global demand from all sectors.



RENEWABLES

- **Wind and solar power** will have the highest percentages of generation of new electricity due to the decrease in life-cycle costs.



OIL

- The demand for **oil** will continue to increase, although at a slower rate due to the improvement in the efficiency of fuels and the penetration of alternative energies.



GAS

- **Natural gas** will be the fastest growing fossil fuel, overtaking coal as the second highest source of energy; nevertheless, its role in producing electricity will depend on the penetration of renewable energy.



CHEMICALS

- The demand for **chemicals** will experience an exponential increase due to the larger middle class, exceeding the growth of the energy markets.



EMISSIONS

- The increase in **emissions** will be offset by increased efficiency and renewables.

SCAN HERE FOR MORE INFORMATION
ON THE CEO 2030



OUR STRENGTHS

The factors and future scenarios we face make it important for us to act using the skills that differentiate us as a base, which have been developed over our history, in order to strengthen our existing business model and lay the foundations for growth.

INTEGRATED BUSINESS MODEL

We operate a highly integrated business covering the key segments of the oil and gas value chain.



LEADERSHIP POSITION IN CHEMICALS

We are global leaders in petrochemicals areas such as LAB and cumene, and the second largest producers of phenol with significant scope for expansion.



FINANCIAL ROBUSTNESS AND STABILITY

We prudently manage our balance sheet, debt ratios and liquidity through solid discipline in investment decisions.



ROBUST UPSTREAM ASSET BASE

We operate a solid portfolio of long-term upstream assets, with growth prospects, low costs, and price balance.



LEADING COMPANY IN THE REFINING SECTOR

Thanks to almost 90 years of experience, Cepsa has some of the most efficient refineries in Europe, placing them in the top quartile in the Solomon index.



PRIORITY PARTNER IN PARTNERSHIPS AND JOINT VENTURES

We have developed solid relationships with national oil companies in the key countries where we operate, looking after our current interests, and opening the path for future opportunities.



HIGHLY QUALIFIED MANAGEMENT TEAM

A management team with a history of solid results, with experience of large scale projects, backed by our shareholder Mubadala.



STRATEGIC LONG-TERM FOCUS

A 2030 strategy based on international growth across our key businesses, while developing new business lines in response to new industrial trends.



SOLID RETAIL BUSINESS AND COMMERCIAL LEADERS

We are leaders in distribution in the Iberian peninsula across our business lines and a high integration with our refineries, maximizing our distribution margins.



CHAPTER 3

Sustainable growth



OUR STRATEGY FOR THE FUTURE

Based on the new scenarios we have established, we have updated our 2017-2021 strategy with a 2022 horizon. This strategy reaffirms our commitments and strategic objectives, adjusting our main actions for each business area in order to face the challenges of the future.



ROBUSTNESS

An integrated, balanced energy provider with focus and scale.



GROWTH

With privileged access to growing markets in Middle East and North Africa (MENA) and LATAM uniquely positioned to capture value from the new energy trends.



LEADERSHIP

We seek to achieve operational excellence at every one of our businesses.



AGILITY

Company agile in execution and flexible in an industrial context of constant change.



VALUE MAXIMISATION

Achieving solid economic results and creating sustainable value.



TRANSFORMATION OF OUR BUSINESSES
Objectives



EXPLORATION AND PRODUCTION

Grow in Middle East, North Africa and Latin America in larger projects that are more production-focused.

REFINING

Consolidate the efficiency of our management and sustainability of our refineries and expansion into new markets in an integrated way.



MARKETING

Defend our position in the Iberian Peninsula and we will grow in different markets working closely with other business units.

CHEMICALS

Maintain our current leadership and grow in new geographical areas and business lines.



GAS AND POWER

Develop our renewable energy business and participate in gas projects with synergies across other business areas.

TRADING AND BUNKER

Strengthen the trading business and its function as a growth lever and driver of other businesses.



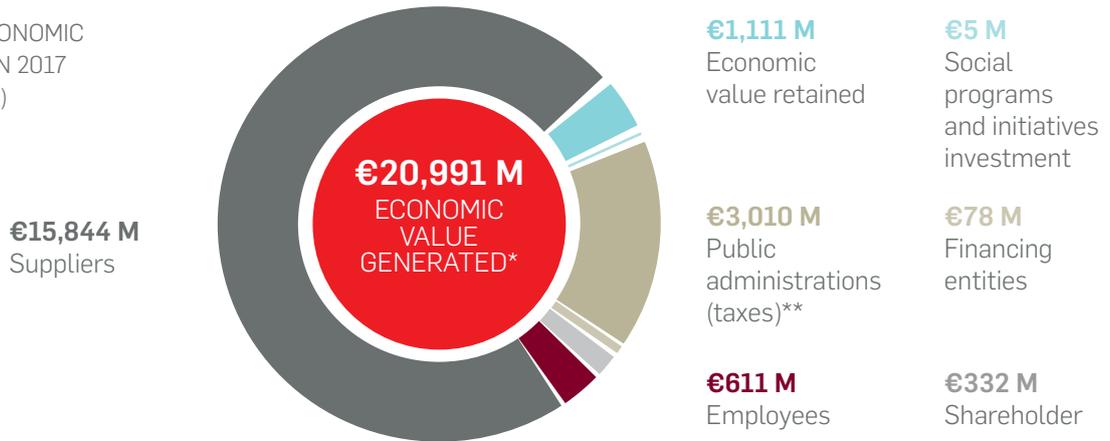
CROSS-DEPARTMENT
COLLABORATION

Accelerators of change and essential to provide support to the business units from the beginning of each project in each of our specialities.

CHAPTER 3

Sustainable growth

DISTRIBUTION OF ECONOMIC VALUE GENERATED IN 2017 (MILLIONS OF EUROS)



* Value generated mainly represents revenue of €20,817 million, in addition to other items: other operating income (€55 million), financial income (€32 million), share in profits of associates (€58 million) and income on fixed asset disposals (€29 million).

** Includes: special excise taxes and income tax and levies.

3.2 BUSINESS MODEL

“We are global energy company, that operates in an integrated way, led by technical excellence and the capacity to adapt.”



We are a global integrated energy company operating across all stages of the hydro-carbon value chain. We also manufacture products from plant-based raw materials and have a presence in the renewable energy sector.

Our technical excellence and ability to adapt drive us forward, and we have almost 10,000 professionals throughout the world who make this possible. We are supported by our values of safety, sustainability, continuous improvement, leadership and solidarity. We excel thanks to our efficiency and operational robustness, based on nearly 90 years’ experience in the sector and the integrated model we have established across our businesses.

The conclusion in May 2017 of the merger process of our sole shareholder to become Mubadala Investment Company has helped us to strengthen our role internationally and in the Oil & Gas sector. It also provides us with greater stability thanks to the synergies found in the Mubadala group of companies and from the solidity of our business model which has proven to be successful globally.

With the vision and aim to be a global energy company of choice, we maintain our firm commitment to provide the energy that every reality needs.

3.3 RISK MANAGEMENT & OPPORTUNITIES

Cepsa's commitment to implementing an Integrated Risk Management System (IRMS) is reflected in the approval, by the Group's Board of Directors in 2017, of a General Risk Policy, which establishes the Company's risk compass, while always standing close to our principles of caution and anticipation. The basic principles of the Policy are defined in the Basic Standards for Integrated Risk Management.

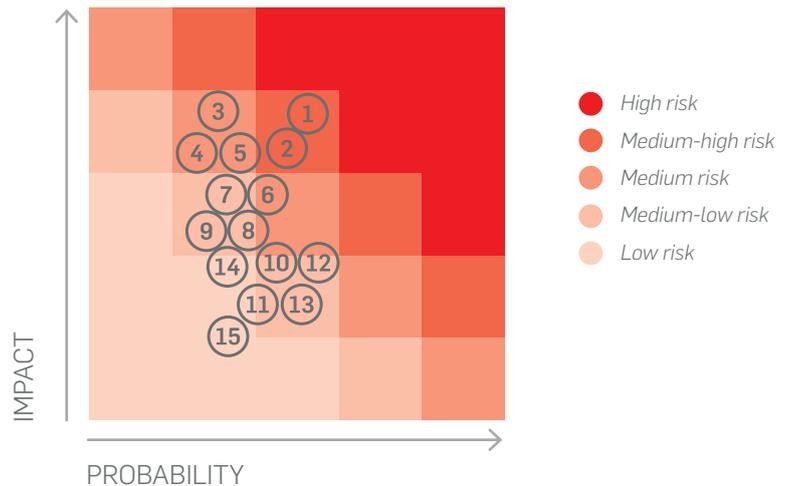
Thanks to our IRMS we are prepared to respond quickly and efficiently before a

risk event which may significantly affect our operations and/or the results generated by each operation. As such we aim to identify and manage Company risks. This enables us to define a standardised risk strategy with an overview of the entire company.

In 2017, we updated our Risk Map, while assessing each and every inventory risk based on the potential impact on the Company and probability of occurrence. This map covers 15 types of risk across 4 main groups:

- Strategic and Planning Risks
- Financial and Market Risks
- Operational Risks
- Regulatory and Compliance Risks

1. Refining margin
2. Regulatory uncertainty and Compliance
3. Operating safety
4. Physical security
5. Information security
6. Large projects management
7. Production and replacement of reserves
8. Geopolitical risk
9. Local communities
10. Commodity pricing
11. Foreign currency
12. Market competition
13. Demand evolution
14. Talent management
15. Credit risk



MAXIMISATION OF VALUE

- ① ⑥ ⑦ ⑩ ⑪ ⑮

GROWTH

- ① ⑥ ⑦ ⑧ ⑩ ⑫ ⑬ ⑭

LEADERSHIP

- ③ ④ ⑤ ⑨ ⑫ ⑬ ⑭

ROBUSTNESS

- ① ⑦ ⑩ ⑪ ⑫ ⑬ ⑮

In comparison with the risk map for 2016, it is worth noting that the priority risks related to refining margin and safety, operationally and physically, remain. Meanwhile, following the analysis carried out

in 2017, the risk related to production and replacement of reserves has decreased, arising from the reduction in the potential impact that it could have on the company. By analyzing and monitoring how

the different risks evolve, we are able to anticipate future scenarios and minimize potential impacts, enabling us to capitalize on new opportunities.



NEW BUSINESS OPPORTUNITIES

The constant search for new business opportunities is a maxim that we apply at Cepsa, with the aim of mitigating potential negative impacts in the sector in which we operate. In order to achieve this, we focus on the businesses where we have identified the greatest potential, such as Exploration and Production, Chemicals or Trading, without neglecting the Distribution and Marketing businesses.

In this regard and as an example of diversification, we opened a natural alco-

hols plant in Indonesia, together with our partner Sinar Mas. For the first time, we are not only capable of producing raw materials for detergents made from fossil fuel derivatives, but also from plant sources.

We have also made our first move into renewable energy through the acquisition of a wind farm in the province of Cadiz in the South of Spain.

INTEGRATED STRUCTURE AND INTERNATIONAL PRESENCE

Our integrated business model makes us better positioned to face crises and ensure sustainability in the long term.

Our facilities are highly integrated operationally and physically enabling us to maximize efficiencies and increase synergies, making our model very robust, and in turn enabling us to reduce circumstantial effects of external factors in the locations where we operate, in turn minimizing the impact of incidents and external factors

beyond Cepsa's control on our business units or departments.

Thanks to our leadership in chemicals, and our great experience and know-how in implementing projects globally across all of our businesses and geographies, we have become a leading partner and strategic ally for large corporations around the world, and as a result we have been able to increase our international expansion.

SUSTAINABLE INNOVATION

We consider innovation to be the key driver in our projects: a tool that enables us to improve process and operational efficiency, that helps us to anticipate regulatory changes and that adds value to the Compa-

ny. All the while maintaining close relations with the local communities where we work, with a commitment to protect the environment as a source of the resources that are supplied to us.

FOR MORE INFORMATION ABOUT CEPESA'S RISK MAP, CLICK HERE





3.4 THE VALUE OF OUR BRAND

At Cepsa we are generators of energy. This is a great privilege, yet also a great responsibility that we face by aspiring to the highest standards of excellence to manufacture our products and services.

Energy production and availability to energy are key drivers for the progress and development of a community. We therefore bring together experience, know-how, research, technical capabilities and technol-

ogy innovation to reach our goal: to provide people with the energy they need.

Our manifesto *Adaptable Energieering* captures the hallmarks of our identity, which we deliver to the wider public and business stakeholders. Through technical excellence and our ability to adapt we bring the best of energy to each reality, meeting the needs of all our different users.

CULTURE & CONDUCT

How we work is backed by our mission, vision and values, which accompany us on a daily basis in our actions and team work and with a mindset of continuous improvement.

COMMUNICATION

Everything we tell our audiences reflects an integrated personality through the words and images that we communicate. Moreover, all of our messages try to be clear and transmit concepts such as leadership, progress, and sustainability.

ADAPTABLE
ENERGEEERING

ENVIRONMENTS

Our stores, plants, offices and all the facilities in which we work reflect our DNA. An example of this is our head office, the Cepsa tower, a symbol of energy efficiency which has become a visual landmark in Madrid.

PRODUCTS AND SERVICES

All the products and services that we offer are focused on satisfying the energy needs of our customers. Through them we make technology available to people and we try to have a positive impact on their day to day lives.

NEW BRANDS

Cepsa has a portfolio of over 500 brands. We maximize the value of our brands by seeking an efficient and coherent development so that our stakeholders see us as a unique, globally integrated company that provides a range of solutions to present and future energy needs. In 2017, we launched two new brands:



'WASHHH', a carwash franchise created by Cepsa embracing automated and manual carwash facilities and a car maintenance area.



*Joint venture between Cepsa and Golden Agri-Resources (GAR), one of the world's largest operators in sustainable palm oil production.**

* Source: <https://goldenagri.com.sg/>

CHAPTER 4

EFFICIENT AND RESPONSIBLE MANAGEMENT



STAKEHOLDERS

“WE WORK TO BUILD SOLID AND TRANSPARENT RELATIONSHIPS THAT GENERATE VALUE FOR ALL OF OUR STAKEHOLDERS.”

4.1 STAKEHOLDERS

We strive to build solid and transparent relationships which generate value for each of our stakeholders. Via communication channels tailored to the characteristics of each group, we can understand their expectations, complaints and proposals for improvement. We analyse those needs and incorporate them in our strategy, which enables us to improve daily and strive to be perceived as a reliable, leading energy company in the sector.

In accordance with our Stakeholder Relationship Policy and the related Manage-

ment System, we identify, prioritise and manage the most relevant stakeholders for the Company. The results obtained through the pilot project at the San Roque site, developed in 2016-2017, have enabled us to update these tools, with the intention of aligning and standardising the management of stakeholders of different Cepsa businesses and areas in 2018 via the definition of stakeholder maps and their management in Spain and Latin America.

	<h3>SHAREHOLDER</h3> <ul style="list-style-type: none"> • Representation of our sole shareholder in the corporate governance bodies enables participation and contribution in the management and performance of Cepsa.
<h3>EMPLOYEES</h3> <ul style="list-style-type: none"> • Ethics and Compliance Channel. • Climate and engagement survey. • Thinkbox channel for ideas and suggestions. 	<ul style="list-style-type: none"> • Corporate Intranet. • Direct communication processes. 
	<h3>CUSTOMERS</h3> <ul style="list-style-type: none"> • Satisfaction measurement systems. • Complaint management systems. • Customer Service. • Customer Experience and Service Now for the continuous improvement of satisfaction and for the integrated management of customer incidences.
<h3>SUPPLIERS</h3> <ul style="list-style-type: none"> • Suppliers portal on the corporate website. • Satisfaction surveys. 	<ul style="list-style-type: none"> • Email inboxes and support centres. • Supplier's day. 
	<h3>SOCIETY</h3> <ul style="list-style-type: none"> • Web: www.cepsa.com • Community and resident committees. • Open days and public consultations. • Email inboxes. • Social management teams at our sites. • Ethics and Compliance Channel.

CHAPTER 4

Efficient and responsible management

MATERIALITY

Based on the materiality analysis that we carried out in 2016 to prepare our 2017-2019 Corporate Responsibility Master Plan, in 2017 we updated the information sources and two-way communication channels with our stakeholders, which enabled us to see how the relevant aspects identified had evolved and to reevaluate their importance.

Specifically, we have considered internal and external information sources, in accordance with the guidelines defined by the Global Reporting Initiative standard (GRI) in its GRI Standards version.

We have taken account of our stakeholders' expectations, analysing the information gathered via the channels set up for that purpose, the assessment of regulatory trends and the voluntary initiatives of the industry.

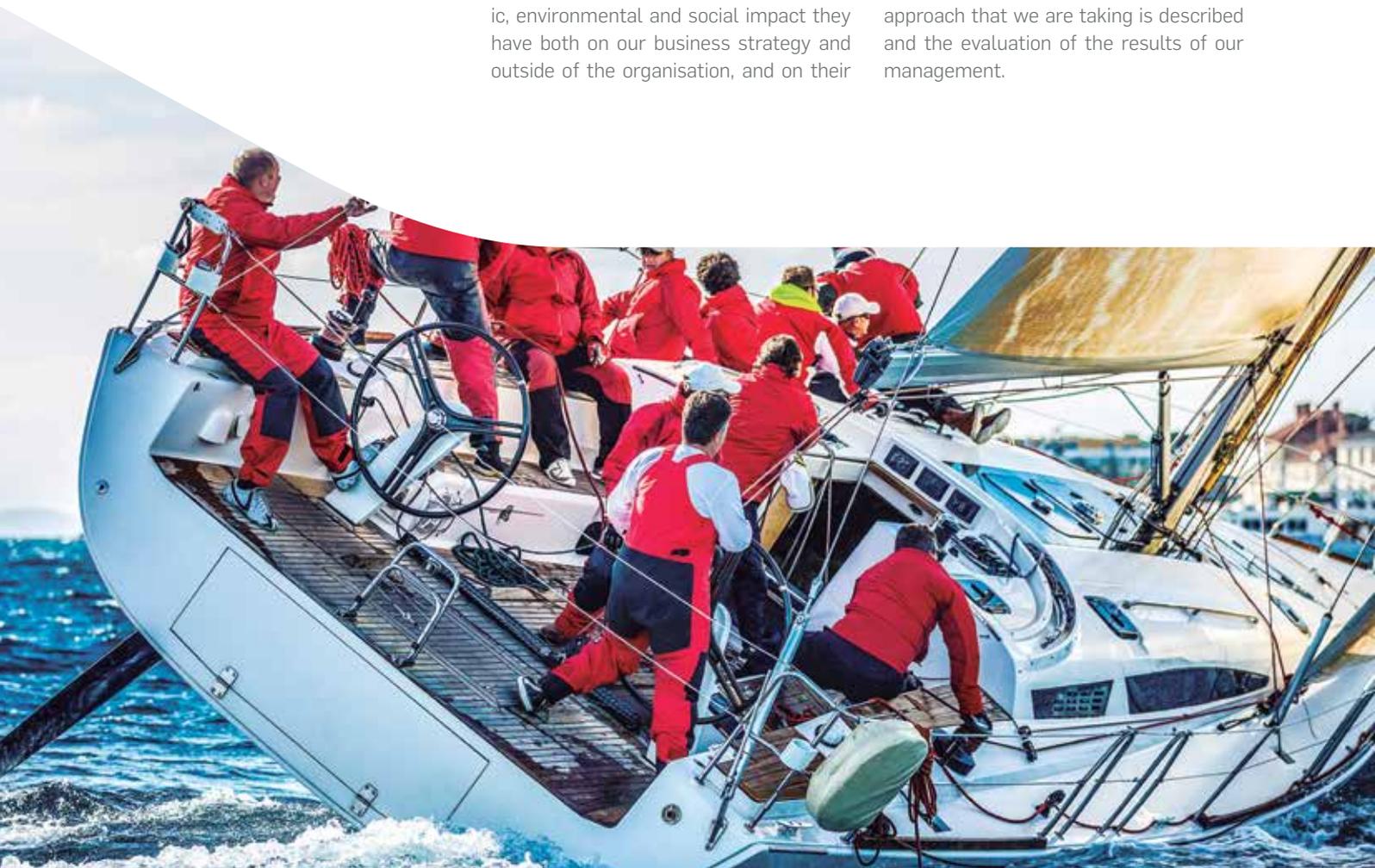
We have also assessed the importance of material issues according to the economic, environmental and social impact they have both on our business strategy and outside of the organisation, and on their

potential to generate risks and opportunities for our Company.

An analysis of the maturity of our procedures in each of these significant matters enabled us to set forth the main lines of the 2017-2019 Corporate Responsibility Master Plan 2017-2019 (v. 4.2 Corporate Governance) and to align them with the Sustainable Development Goals.

The structure and the content of this report have been defined based on the relevant issues identified and the response that we at Cepsa are providing.

For each of the material issues that we have indicated, the following is shown: the boundary of the impact it generates, the Associated Sustainable Development Goals, the block in the Corporate Responsibility Master Plan in which there are actions geared towards improving our performance in this field, and an indication of where in the report the management approach that we are taking is described and the evaluation of the results of our management.





SUSTAINABLE DEVELOPMENT GOALS

CORPORATE RESPONSIBILITY MASTER PLAN PILLARS

- 1 Corporate Governance
- 2 Ethics and compliance
- 3 Transparency
- 4 Sustainable growth
- 5 Innovation
- 6 Safety
- 7 Talent
- 8 Environment
- 9 Supply chain
- 10 Social welfare

- 1 No Poverty
- 2 Zero Hunger
- 3 Good Health and Well-Being for people
- 4 Quality Education
- 5 Gender Equality
- 6 Clean Water and Sanitation
- 7 Affordable and Clean Energy
- 8 Decent Work and Economic Growth
- 9 Industry, Innovation and Infrastructure
- 10 Reduced Inequalities
- 11 Sustainable Cities and Communities
- 12 Responsible Consumption and Production
- 13 Climate Action
- 14 Life Below Water
- 15 Life on Land
- 16 Peace, Justice and Strong Institutions
- 17 Partnerships for the Goals

BOUNDARY OF MATERIAL TOPICS



Impact inside the organization



Impact outside the organization



OPERATING EFFICIENCY

Our integrated and value creation company model strives for excellence in operating performance.

Through our commitment to innovation and to an integrated model, the best technology and sustainable growth, we endeavour to increase the efficiency of our businesses.

Where do we respond in the ACRR?

- 3.1 Strategy for value generation
- 5.2 Innovation



INNOVATIVE AND SUSTAINABLE PRODUCTS

The products and services that we offer are focused on satisfying the energy needs of our customers.

At Cepsa, we work to develop new technologies and apply the best techniques available enabling us to provide efficient, safe and sustainable products.

Where do we respond in the ACRR?

- 5.2 Innovation
- 5.5 Customer service



CLIMATE CHANGE

We strive to reduce the environmental impact of our exploratory and production activities, maintaining our commitment to meeting the energy needs of the society.

Our undertaking goes beyond that of merely complying with the legislation, working under a strict CO2 Emissions Control System and developing actions focused on reducing GHG.

Where do we respond in the ACRR?

- 5.4 Environment





EMPLOYEE HEALTH AND SAFETY

Our employees' health and safety is a priority. In order to achieve our "zero accidents" target, we have drawn up a Health, Safety, Environmental and Quality Policy that is deployed through plans which reinforce the culture of safety, risk prevention, regulatory compliance and promote healthy living habits.

Where do we respond in the ACRR?
5.3 Safety

3 8 6
  



FACILITIES SECURITY

Through the Process Safety Management System, we endeavour to prevent industrial accidents at our plants during the production process, and also to minimise their impact.

Systematic evaluation of the processes enables us to update our strategy to our operations.

Where do we respond in the ACRR?
5.3 Safety

8 11 6
  



SUPPLY QUALITY AND SAFETY

The expansion of the Exploration and Production business is one of our internationalisation drivers that contributes to strengthening our integrated model and to the security of the supply of crude oil and gas.

The improvements in the efficiency of the supply and the commitment to process innovation allow us to guarantee quality supply.

Where do we respond in the ACRR?
2.3 Our activities
3.1 Strategy for value generation

7 9 12 4
   



REGULATORY COMPLIANCE, CODE OF ETHICS & CORPORATE POLICIES

The goal of all Cepsa employees, together with our business partners, is to guarantee ethical and responsible business management, which generates value for our stakeholders. Through our Code of Ethics and Conduct, and the control and compliance monitoring bodies, we guarantee the oversight and respect of our values.

Where do we respond in the ACRR?
4.2 Corporate Governance
4.3 Ethics

8 11 12 16 2
 



CORPORATE RESPONSIBILITY GOVERNANCE AND STRATEGY

We have a Compliance Operating Committee responsible for updating the Corporate Responsibility Policy for approval by the Board's Audit, Compliance and Ethics Committee.

The Corporate Responsibility Master Plan, applicable to the whole company, is the roadmap which enables us to achieve responsible management across all our businesses and areas.

Where do we respond in the ACRR?
4.2 Corporate Governance

11 16 17 1 4
 



LOCAL COMMUNITY RELATIONS

For Cepsa it is essential maintain a responsible, transparent relationship with the local communities where we are present, with a commitment to creating value and collaborating in their economic and social development.

We work together with the local community integrating ourselves into the area where we operate and performing our activities and implementing social projects.

Where do we respond in the ACRR?
5.7 Social welfare

8 9 10
 



CYBERSECURITY

One of our main assets is information management and protection via our information systems.

Cybersecurity has become a new challenge which we have approached by developing a security system which enables us to reduce the risk associated with cyber attacks against the company which could put our facilities at risk, and data protection of our employees and customers.

Where do we respond in the ACRR?
5.3 Safety

6
 



DIVERSIFICATION AND INTERNATIONALISATION

Our commitment to offering energy solutions drives us to search for new ways to continue to meet our customers' needs both through new technologies and ways of obtaining energy, and the search for new locations and geographical areas which enables us to develop our activities, while maintaining our maxim of sustainable long term growth.

Where do we respond in the ACRR?
2.2 Cepsa worldwide
2.3 Our activities

7 4
 



ENVIRONMENTAL MANAGEMENT

Aware of the impact that our activities, products and services have on the environment, we have developed environmental management systems tailored to the risks affecting our facilities.

This enables us to control and minimise environmental impact throughout the whole lifecycle, from the purchase of raw materials right through to their final use.

Where do we respond in the ACRR?
5.4 Environment

7 11 12 13 14 15 8



WATER MANAGEMENT

The responsible use of water is integrated in all of our production processes through consumption saving initiatives, maximising the reuse of water resources, the search for new sources of water and reduction of our impact when water is dumped into the environment after use.

Where do we respond in the ACRR?
5.4 Environment

6 14 15 8



HUMAN RIGHTS

Our Code of Ethics and Conduct, mandatory for all employees, business partners and other stakeholders, is aligned with Human Rights.

We have a zero tolerance policy regarding potential breaches of our ethical standards and we have a system through which we can detect infringements and act to remedy them.

Where do we respond in the ACRR?
4.3 Ethics

5 8 10 2 7 9



CONSUMER AND COMMUNITY HEALTH AND SAFETY

Through strict, rigorous controls on the products and services we make available to our customers, we guarantee that they are safe for health and for the environment throughout their entire lifecycle, from the start of our research until they are marketed or even withdrawn.

Where do we respond in the ACRR?
5.3 Safety

12 6 10



ENVIRONMENTAL, SOCIAL AND GOVERNANCE RISKS IN THE SUPPLY CHAIN

We have introduced control measures which enable the identification, control, investigation and correction of potential risk situations which third parties who have commercial relationships with us may represent.

By adhering to our Suppliers Code of Ethics, our procurement process, and the assessments and audits performed on them, we minimise risks arising from our commercial relations.

Where do we respond in the ACRR?
5.6 Responsible supply chain

11 12 9



COMMUNICATION & TRANSPARENCY

We build solid relationships with our stakeholders based on communication, dialogue and mutual trust.

We value transparency both in internal communication, while bringing all employees on board as a sign of identity, and in the relations we have with our partners and stakeholders throughout the entire Cepsa value chain.

Where do we respond in the ACRR?
4.1 Stakeholders

16 3



ATTRACTION AND RETAINING OF TALENT

Our success and growth is underpinned by the commitment of our personnel.

By means of actions to promote employee mobility, internal and external selection processes and our model to attract young talent, we have built a team that is capable of helping us to overcome current challenges and meet future goals.

Where do we respond in the ACRR?
5.1 People and Talent

8 7



CUSTOMER SATISFACTION

We listen actively to our customers' priorities and motivations via different channels, which enable us to improve, innovate and create tailor-made products and services.

Through our satisfaction surveys and loyalty plans, we create long-lasting relationships built on trust.

Where do we respond in the ACRR?
5.5 Customer service

4



4.2 CORPORATE GOVERNANCE

Developing an effective corporate governance model is a priority in order to achieve our strategic objectives, to generate value in the long term, and to reinforce our reputation and credibility with third parties. We have a commitment to maintain ethical and responsible conduct in our activities, build a framework of sustainable relations and open, permanent dialogue with our stakeholders, in addition to guaranteeing business excellence underpinned by the principles of trust, integrity, transparency and responsibility.

Regarding our structure, we follow the recommendations defined in the Code of Good Governance for listed companies in Spain, which states that the regulations governing capital companies must be enforced, in addition to best practices and international trends related to this subject matter, adapting them to our business model.

The general principles and commitments which underpin our corporate governance model and the workings of our governance bodies are as follows:

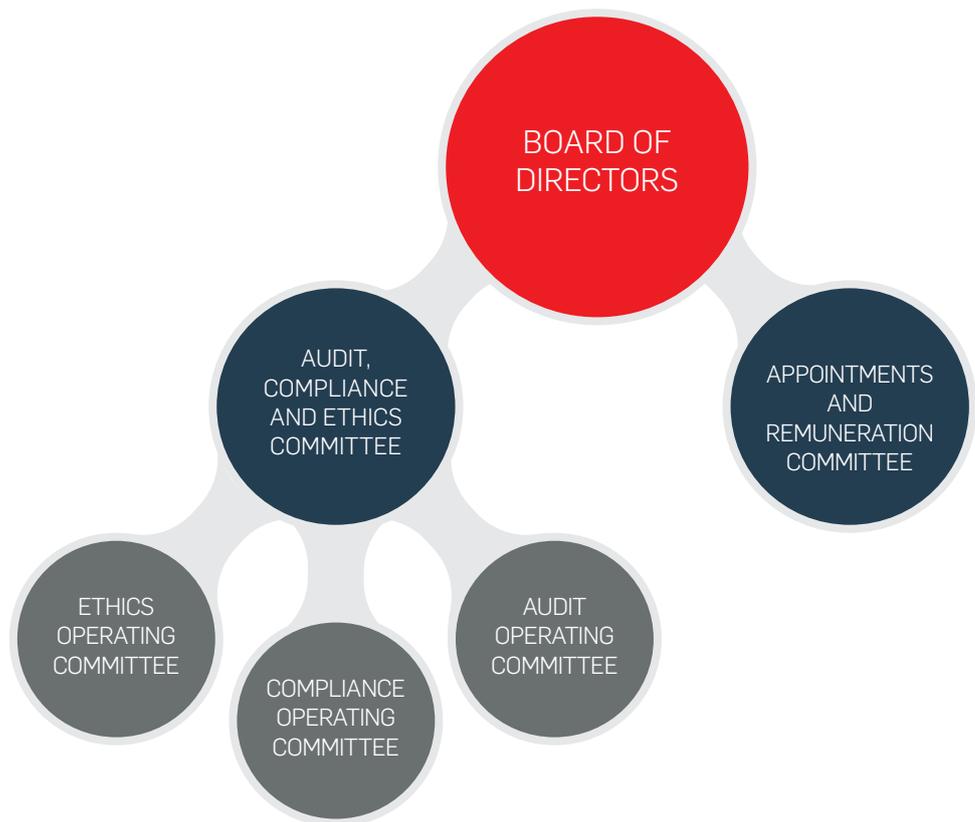
- Maximise value creation sustainably and in the long term always taking into account the interests of our stakeholders and society as a whole.
- Ensure ethical conduct, compliance with the law and internal regulations by all Cepsa professionals, always acting in accordance with the principles of transparency, integrity, honesty, respect and equality.
- Promote constant and constructive dialogue with our stakeholders and adopt responsible behaviour towards society and the communities where we operate.
- Act in total transparency, adopting specific measures to guarantee that all information that is made available to third parties is correct, accurate and reliable.
- Protect and preserve the health, safety and integrity of our employees, our plants and the environment as a priority objective, and promote a culture of operational safety and responsibility in order to ensure our activities are developed with maximum guarantees and free from accidents.
- Fulfil our social commitment via strict compliance with applicable legislation across all the geographical areas in which we operate, in the knowledge that taxes are a key contribution towards sustaining public expenditure which provides the basic needs for society as a whole.
- Follow recommendations and national and international good governance best practices, as far as these are applicable, and make a permanent effort to review and update the Company's governance standards, with a view to positioning Cepsa as a leading company in good governance and business transparency and ethics.



GOVERNING BODIES

Cepsa's good governance standards comprise the Company Bylaws, the Board of Directors Regulations, its Commissions and Operating Committees, the statement of the Group's Values, the Code of Ethics and Conduct, the regulatory compliance and risk policies, and other

policies, corporate standards and regulations which lay down guidelines governing the way Cepsa and its Group companies work, and how its directors, senior managers and employees act, within the framework of the Company's principles, mission, vision and values.



CHAPTER 4

Efficient and responsible management

BOARD OF DIRECTORS

Cepsa's Board of Directors is the highest level administrative and representative body of the Company. Its competencies include the supervision and monitoring of the management and performance of the businesses; approving the Company's plans, policies, objectives and strategies; and ensuring their execution and implementation.

During the six meetings held by the Board in 2017, the following activities, among

others, took place: preparation and approval of the Annual Financial Statements and the Management Report for 2016; approval of the Strategic Plan (2018 - 2022) and the 2018 Group budget; approval of the strategic roadmap for 2030; approval of the new Code of Ethics and Conduct and its associated compliance policies, in addition to the General Policy on Corporate Risks and definition of Risk Appetite; and approval of several investments and relevant operations.

Composition of the Board of Cepsa Directors and of its Executive Committees (at 31 December 2017)

Names	Board of Directors	Director category	Date of first appointment	Audit, Compliance and Ethics Committee	Appointments and Remuneration Committee
H.E. Suhail Al Mazrouei	Chairman	External Proprietary Director	02/06/2015	-	-
Mr. Pedro Miró Roig	Vice-Chairman and Managing Director	Executive	31/01/2012	-	-
Mr. Musabbeh Al Kaabi ¹	Member	External Proprietary Director	26/04/2017	-	Chairman
Mr. Abdul Munim Al Kindy	Member	External Independent	18/01/2016	Member	-
Mr. Abdulla Al Dhaheri	Member	External Independent	18/01/2016	-	Member
Ms. Alyazia Al Kuwaiti	Member	External Proprietary Director	18/01/2016	Member	Member
Mr. Ángel Corcóstegui Guraya	Member	External Independent	01/02/2016	Chairman	-
Mr. Ignacio Pinilla Rodríguez ²	Secretary	-	31/01/2012	Secretary	-
Mr. José Téllez Menchén ²	Vice-Secretary	-	24/10/2014	Vice-Secretary	-
Mr. Carlos Morán Moya	-	-	-	-	Secretary

¹ On 26 April 2017, Mr. Musabbeh Al Kaabi was appointed External Proprietary Director to replace Mr. Mohamed Alsuwaidi, who presented his resignation from all positions. On that same date, Mr. Musabbeh Al Kaabi was appointed as Chairman of the Appointments and Remuneration Committee replacing Mr. Abdulla Al Dhaheri, who continues to be a member of that Committee.

² Non-Director.

FOR MORE INFORMATION ABOUT CEPESA'S
BOARD OF DIRECTORS, CLICK HERE



BOARD COMMITTEES

AUDIT COMMITTEE COMPLIANCE AND ETHICS



5 meetings

Functions: supervise the internal audit department, internal control systems, compliance and risk management, in addition to the process of preparing and reporting financial information and relations with the external auditor. Review and propose policies in relation to the main stakeholders for the approval of the Board of Directors.

2017 Activities: the periodic review of economic and financial information and

of external audit reports published in 2017, control of the independence of the Auditor, oversight of the proper functioning of internal control and risk management systems, approval of Cepsa's general risk map, review of the annual report on the Company's hydrocarbon reserves, proposal of the new Code of Ethics and Conduct put to the Board for approval together with its related compliance policies and General Corporate Risk Policy.

APPOINTMENTS AND REMUNERATION COMMITTEE



3 meetings

Functions: oversee the process of selection, appointment, reelection and dismissal, where relevant, of the Directors and members of Senior Management of the Company; analyse, inform and propose their remuneration policy and submit proposals to the Board regarding the decisions to be adopted in cases of conflict of interest.

2017 Activities: analysis of the Senior Management Remuneration Policy, ap-

proving adjustments in certain areas in order to keep them aligned with the shareholder's interests in accordance with best practices, approval of the appraisal of results in terms of meeting 2017 objectives and setting objectives for 2018 for variable short term remuneration and the long term incentive plan and submitting a recommendation to the Board for approval.

WORKING COMMITTEES¹

OPERATING COMMITTEE AUDIT



4 meetings

Functions: act as a liaison between the external auditor and the Audit, Compliance and Ethics Committee, as well as analysing the independence of the latter and overseeing, guiding and driving the internal audit department.

OPERATING COMMITTEE COMPLIANCE



4 meetings

Functions: coordinate the different compliance programmes to guarantee their correct functioning, and oversee the workings and compliance of the Company's criminal prevention model and monitor compliance with applicable legislation.

OPERATING COMMITTEE ETHICS



2 meetings

Functions: set the ethical framework of Cepsa, promote the ethical conduct of employees and answer any ethics queries that may arise, resolving any ethical breaches that may have occurred.

¹ In the first quarter of 2018, the modification of the structure of the Operating Committees was approved; this implied merging the Compliance Operating Committee with the Ethics Operating Committee into a single Committee, the "Compliance and Ethics Operating Committee" and a new Committee was created to manage and control risks, the "Risk Control Operating Committee".

CHAPTER 4

Efficient and responsible management

MANAGEMENT BODIES

MANAGEMENT COMMITTEE

 22 meetings

Functions: oversee and coordinate the business units and corporate functions. Analyse and propose objectives, strategic plan and annual budget, in addition to approving policies and initiatives from the different units and departments.

RISK COMMITTEE

 4 meetings

Functions: propose the strategy and Cepsa Global Risk Policy within which the business units and corporate areas must conduct their activities.

INVESTMENT COMMITTEE

 19 meetings

Functions: analyse the major investment projects which the Company is contemplating prior to submission to the Board of Directors.

REMUNERATION POLICY

Remuneration of the Board Directors is regulated by the Company Bylaws which lay down the maximum amount that can be allocated annually to this item. The Appointments and Remuneration Committee reviews and proposes the amount of remuneration for the Board Directors within the limit set in the Bylaws, which must be approved in exercise of the functions of the General Meeting. Directors' remuneration, related to position of director,

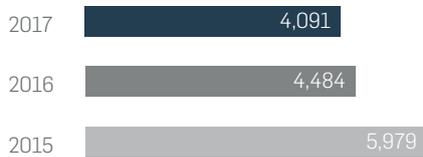
consists of an annual fixed amount, which is distributed based on the dedication and importance of the functions performed by each Director. Although this remuneration is not formally linked to objectives, it is the Appointments and Remuneration Committee's responsibility to review it and propose the most appropriate profiles of members of the Board of Directors to ensure the objectives set by Cepsa are met.



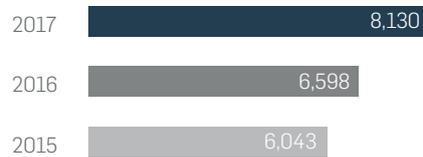
Regarding the remuneration for Cepsa Senior Management, it is also the Appointments and Remuneration Committee's responsibility to review and approve that remuneration and the policies governing it. Remuneration is regulated by the Senior Management Remuneration policy, which is reviewed annually to en-

sure that objectives are met and that it is competitive. To this end, a very important factor in the Senior Management remuneration package is the variable remuneration linked to individual performance and to the financial, sustainability and operational objectives, both in the short and long term.

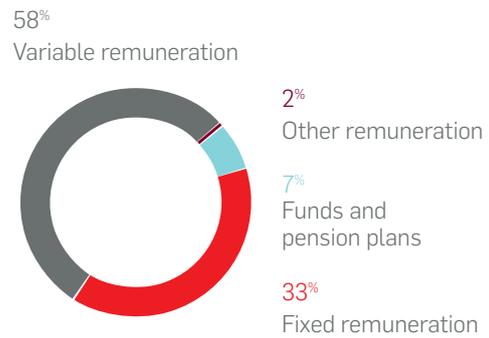
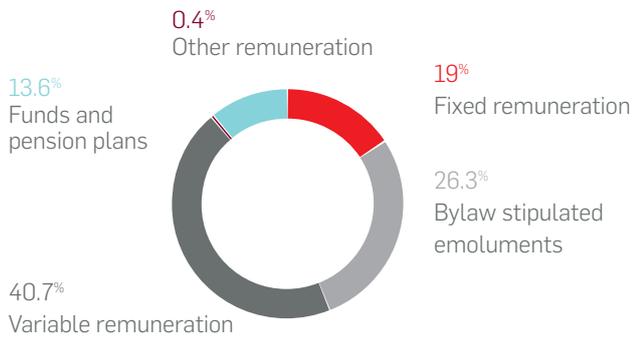
DIRECTORS' REMUNERATION
(Thousands of euros)



REMUNERATION OF SENIOR MANAGEMENT*
(Thousands of euros)



BREAKDOWN OF REMUNERATION ELEMENTS



*This does not include the Executive Director.



CHAPTER 4

Efficient and responsible management



GOVERNANCE AND CORPORATE RESPONSIBILITY STRATEGY

The Compliance Operating Committee is the body responsible for overseeing our Corporate Responsibility policy, for checking any possible amendments that may be needed, and for proposing its approval to the Auditing Committee and Compliance and Ethics. It is also responsible for supervising the action plans and monitoring progress.

The Communication Department is responsible for developing our Corporate Responsibility policy and for coordinating the actions arising from it across the different businesses and locations.

CORPORATE RESPONSIBILITY PLAN 2017-2019

In 2017, we developed a sustainable growth strategy via the approval of a new Corporate Responsibility Master Plan for 2017-2019. All the businesses and transversal units making up Cepsa took part in the internal and external analysis of the needs and expectations of our stakeholders and identified relevant issues that need to be addressed through scheduled actions.

The Master Plan is divided into 10 main pillars, cutting across all businesses and areas and establishing our sustainability objectives and actions.

It is currently made up of 21 lines of work and more than 85 actions; it is scheduled to be updated periodically to integrate new actions which address new scenarios or needs.

Every quarter, we conduct a follow-up of the Plan, which is reported to the Management Committee, which assesses its compliance with the Master Plan and proposes necessary amendments required to reach the objectives set. Twice a year the Compliance Operating Committee is informed of the progress made.

The monitoring performed in 2017 highlighted that more than 90% of the goals established for that period had been met globally.

The Corporate Responsibility Master Plan is also aligned with the United Nations Sustainable Development Objectives, helping to achieve them thanks in part to the endeavours of Cepsa as a company.



SOCIAL WELLBEING

Objective: Define the social action strategy to be implemented in order to optimise the resources of the Cepsa Foundation and the impact of its programmes, as well as defining its ethics and conduct framework.



RESPONSIBLE SUPPLY CHAIN

Objective: Promote Cepsa values and standards in the supply chain and minimise risks therein including ethical, governance, environmental and social risks.



ENVIRONMENT

Objective: Unifying and integrating the Cepsa management criteria in order to have an overview of the environmental performance and risk and opportunities in terms of water resources and Climate Change.



TALENT

Objective: Promote management models which, in line with our corporate values and culture, enable us to recruit a diversity of people and teams that are committed and talented, in order to meet the strategic objectives of the Company.



SAFETY

Objective: Ensure compliance with the duty to safeguard the safety of employees and the environment, in addition to protecting stakeholders, our assets and information processes and reputation.



CORPORATE RESPONSIBILITY MASTER PLAN 2017-2019



CORPORATE GOVERNANCE

Objective: Align Cepsa with Corporate Governance best practices and the management of Corporate Responsibility.



ETHICS AND COMPLIANCE

Objective: Equip Cepsa with a solid regulatory and ethical framework across the Company that is known and implemented by employees and third parties.



TRANSPARENCY

Objective: Incorporate best practices in transparency with regard to Cepsa's reporting processes and set up appropriate communication channels with stakeholders.



SUSTAINABLE GROWTH

Objective: Equip Cepsa with the necessary tools to ensure sustainable growth underpinned by three pillars: risk management, brand value and customer focus.



INNOVATION

Objective: Promote environments and working spaces that foster the creation of innovative ideas and techniques for process efficiency throughout the entire value chain.

“Our Code strengthens our commitment to ethical conduct in every one of our business areas.”

4.3 ETHICS

CODE OF ETHICS AND CONDUCT

In September 2017, the Board of Directors approved the update of our Code of Ethics and Conduct, applicable to the entire Group.

This Code lays down the general principles, standards and conduct required to achieve our objectives and promote our values reflecting the best practices to be considered in all of our businesses without exception. The Code is available on our corporate website and is divided into four main blocks:

- Integrity with our employees.
- Integrity in business operations.
- Integrity in external relations.
- Integrity in safeguarding our assets and information.

To prepare the Code of Ethics and Conduct, the heads of the main departments and businesses of Cepsa, as well as the most representative Trade Union Federations in their field, contributed their knowledge of the business, best practices and unacceptable conduct, in order

to determine how the ethical commitment and compliance with regulations had to be grounded in how we perform all of our activities. In order to improve accessibility and understanding by our employees and stakeholders, the code is available in Spanish, Mandarin Chinese, French, English and Portuguese.

All Cepsa employees, as well as Directors and Senior Management, must know the contents of the Code of Ethics and Conduct, with 100% of Managers and Heads of Department having adhered to it in 2017. In the case of business partners and other stakeholders, such as suppliers, they must commit to it before signing the binding contractual document and, in the case that they provide their commitment to a code of their own, that code must cover similar standards to ours.

Similarly, with the purpose of promoting our company's ethical framework and providing instructions regarding its use, we have developed training plans for 100% of Cepsa employees both in the new Code, and in crime prevention, including the use of the Ethics and Conduct Channel.

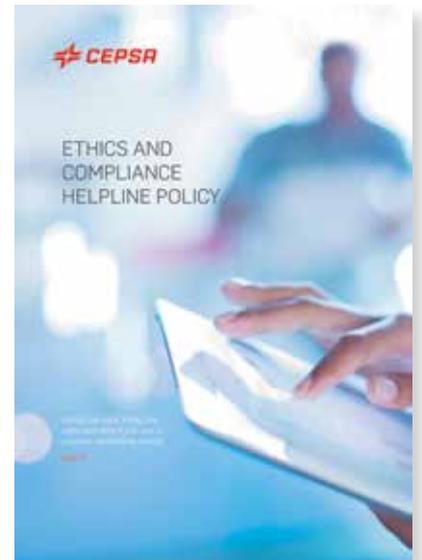
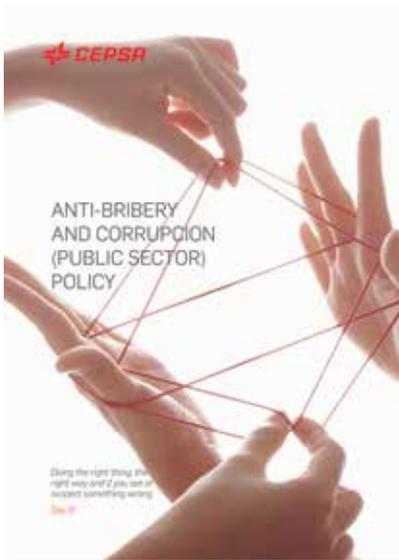
FOR MORE INFORMATION ABOUT CEPESA'S CODE OF ETHICS AND CONDUCT, CLICK HERE



CORPORATE POLICIES

In September 2017, the Board of Directors approved the main Governance Model Policies of the company. In response to our commitment to transparency commitment with our stakeholders, those policies are available on the corporate website.

In addition, in September 2017, the current General Corporate Risk Policy was approved; it is available on Cepsa's intranet and lays down the principles on Integrated Risk Management described in the chapter on "Risk and Management and Opportunities".



FOR MORE INFORMATION ABOUT CEPSA'S CORPORATE POLICIES, CLICK HERE



CHAPTER 4

Efficient and responsible management



ETHICS AND COMPLIANCE CHANNEL

We have a channel to report incidents and irregularities. This channel, targeting all our internal and external stakeholders, is available at all times on our website in Spanish and English.

We inform our stakeholders about the existence of the channel via the corporate website and, in the specific case of business partners or suppliers, via contractual documents. Any users of the channel remain anonymous, treating any advice confidentially and under a premise of zero tolerance towards retaliation for whistleblowers, provided that the complaints are made in good faith, as set out in the Code of Ethics and Conduct and the Policy of the Ethics and Compliance Channel.

The Ethics and Compliance channel is managed directly by the Ethics and Compliance Office, which reports independently to the Audit, Compliance and Ethics Committee. The procedure for investigating communications collected through the channel is laid down in the Policy of the Ethics and Compliance Channel, also available on our corporate website.

During 2017, 20 queries and complaints were received through the Ethics and Compliance Channel related to fraud, harassment and dealing with customer service issues related to the purchasing process. All enquiries and complaints were addressed and resolved during the year.



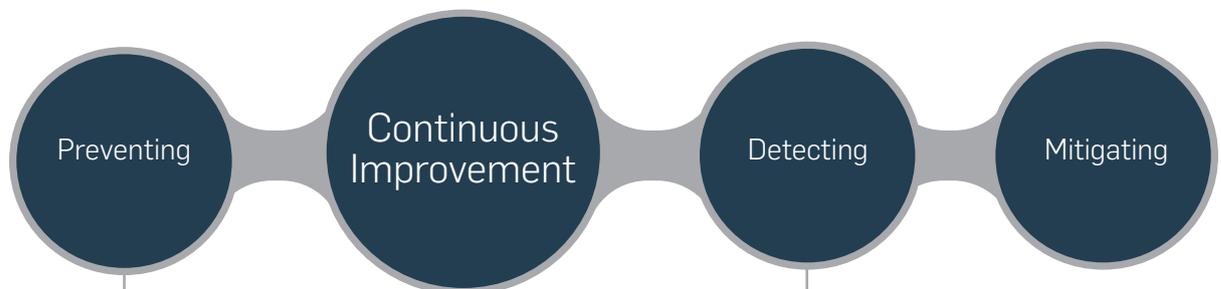
COMPLIANCE MANAGEMENT SYSTEM

At Cepsa, we are implementing a comprehensive methodology to set up a Corporate Compliance Model that allows us to identify compliance risks and implement preventive and detective measures and sanction conduct that may result in company or employee liability, including commitments acquired by Cepsa under its Code of Ethics and Conduct, and their commitment to Corporate Responsibility.

The Cepsa Board of Directors is responsible for ensuring the existence of an effective

ethics and compliance programme, via the Board's Audit, Compliance and Ethics Committee. Oversight of the ethics and compliance programme is delegated to the Ethics and Compliance Operating Committee.

The Ethics and Compliance Office takes charge of setting up, defining and monitoring the ethic and compliance programmes, as part of the Audit, Compliance and Corporate Risks Department.



- Analysis of businesses/regulations/risks.
- Policies and processes.
- Training.
- Communications.
- Complaints channels.
- Integration of management processes.

- Investigations.
- Checks.
- Controls.

- Plan for fines.
- Traceability.
- Effective supervision.

CHAPTER 4

Efficient and responsible management

Corruption prevention

At Cepsa, an Anti-Bribery and Corruption Policy is in place that establishes the procedural guidelines relating to fraud, transparency and the fight against corruption. Furthermore, mechanisms have been rolled out to prevent, detect and investigate possible cases of corruption. Should a potential instance of corruption need to be examined, we would proceed with an investigation and inform the corresponding parties of the relevant disciplinary measures to be taken, in addition to any remedial action required to resolve internal control issues. This anti-corruption model applies to the entire value chain, with audits performed on non-operated assets. In 2017, no complaints were received through the Ethics and Compliance Channel related to corruption matters.

Following the reform of the Spanish Penal Code and international regulatory changes in terms of the criminal liability of legal persons, Cepsa is progressively rolling out crime prevention models in

the different countries in which we operate, prioritising compliance with the corresponding local regulations. The main objectives of the Crime Prevention Model is to prevent and, where appropriate, discover criminal conduct on the part of directors and employees of Cepsa's Spanish companies. In 2017, we continued to adapt the Crime Prevention Model applicable to Spanish trading companies to the guidelines established in Circular 1/2016 of the Public Prosecutor and ISO 19600 on Compliance Management Systems.

In turn, we have implemented a system for ensuring knowledge of our counterparties with a view to protecting Cepsa in terms of any regulatory breaches deriving from the regulation of sanctions and international embargoes, as part of which sanctions apply to all companies that have business relations with countries or physical or legal third parties sanctioned by the regulation.



Internal control over financial reporting (ICFR)

The Board's Audit, Compliance and Ethics Committee is tasked with overseeing ICFR, which seeks to ensure a reasonable control environment in the preparation of the financial statements. We have considered fraud risk as a relevant factor in the design of the control system. The implementation and supervision of

ICFR has been undertaken pursuant to a methodology based on COSO 2013. This control model, made up of 856 controls, is updated, assessed and certified each year by the Company's Management. In 2017, Management certified this system without having identified any significant weakness.

Competition protection programme

Regarding open cases related to competition, there is an open litigation before the Spanish competition authority (CNMC), in which the subdirectorate of Surveillance proposed that the Board of the CNMC declare that Cepsa had complied with two previous rulings in full. However, in August 2017, the Board of the CNMC ruled that it was not able to consider the resolution fully implemented as set out by the Competition Department, and urged the latter to continue to monitor the case. The ruling does not imply a failure to comply, nor does it demand that any kind of sanc-

tioning file be opened, rather it states that it has been unable to reach definitive conclusions on important issues.

In terms of the appeals filed by the Company against the Rulings of the CNMC in January and February 2015, which imposed fines of €10 million and €2.5 million on Cepsa, both were appealed before the Spanish High Court. The pleading stage of both appeals is now over and only the announcement of the vote and judgement date is now pending.



CHAPTER 5

CEPSA IN 2017



PEOPLE AND
TALENT

“OUR SUCCESS AND
OUR FUTURE IS BASED
ON PEOPLE.”

5.1 PEOPLE AND TALENT

OUR SUCCESS AND
OUR FUTURE, PEOPLE

We are a great company made up of around 10,000 employees around the world who perform with utmost technical excellence and a high level of com-

mitment, within a context subject to the highest standards of ethical behaviour. Innovation and efficiency define us and are part of our way of doing things.

12.3
YEARS OF AVERAGE
LENGTH OF SERVICE

1,018
EMPLOYEES ABLE
TO WORK REMOTELY

45%
EMPLOYEES
UNDER INDIVIDUAL
ASSESSMENT

25
HOURS OF TRAINING
PER EMPLOYEE/YEAR

4,647
EMPLOYEES* HAVE
RECEIVED HEALTH
& SAFETY TRAINING

91%
EMPLOYEES WITH
PERMANENT CONTRACTS

8
DIVERSITY AND INCLUSION
PROGRAMMES 2017-2018

STRENGTH

We are a solid, dynamic company with more than 80 years of experience. We offer stable employment and a social benefits system tailor-made for each employee.

EXCELLENCE AT WORK

We are leaders in Human Resources management: thanks, among other things, to the development and implementation of work-life balance and diversity policies as part of our employment culture. The awards and certifications received in 2017 are a reflection of this.



efr



MOTIVATION

We are committed to the training and development of our employees. We provide training tailored to each phase of their professional career and internal mobility programmes to strengthen their careers.

HEALTH AND SAFETY

Our employees' health and safety is a priority. To this end, we promote both aspects via programmes and training and awareness days, as well as carrying out exhaustive controls of our facilities.

DIVERSITY AND INCLUSION

We strive to create a workplace where the equal participation of all of our employees is a reality. The Diversity programmes currently in place help us to cultivate the different types of talent and support their development.



* Only includes information for Spain.

CHAPTER 5

Cepsa in 2017



TALENT SOURCING AND ATTRACTION

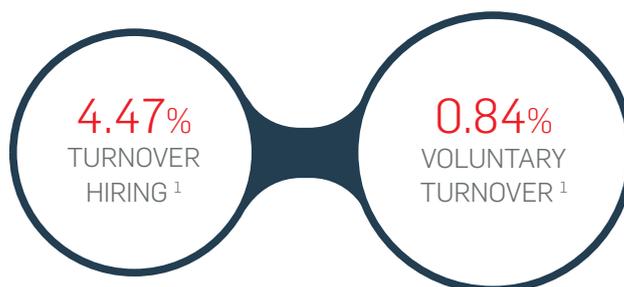
We focus our efforts on the attention, care and support of our employees in order to maximise their commitment to the company's mission and strategy, thus forging a strong emotional link between our people's individual talent and their daily activity.

We have designed an Integrated Talent Management Model in order to promote continuous improvement in the management of people at Cepsa, and in their career development.



One of the pillars of this model is that of attracting young talent in order to cover medium- and long-term recruitment needs. The development of a powerful Employer Branding strategy and the participation in different programmes, focused on gradu-

ates and young people in the early years of their professional career, enables us to be constantly in touch with the new generations and for them to value positively our company as an employer.



¹ In the hiring rate and voluntary turnover rate calculations, the staff of the network of Cepsa Service Stations has not been considered in 2017.



New hires by region ¹	Under 30 years		Between 30 and 50 years		Over 50 years		Total
	Female	Male	Female	Male	Female	Male	
Africa ²	0	0	0	0	0	0	0
Americas ³	1	8	5	17	0	0	31
Asia ⁴	1	4	3	7	1	1	17
Spain	30	48	33	107	3	9	230
Rest of Europe ⁵	0	1	2	0	0	1	4
Total	32	61	43	131	4	11	282

Voluntary turnover rate by region ¹	Under 30 years		Between 30 and 50 years		Over 50 years		Total
	Female	Male	Female	Male	Female	Male	
Africa ²	0.00%	0.00%	33.33%	1.04%	0.00%	0.00%	1.69%
Americas ³	0.00%	10.00%	2.78%	3.02%	0.00%	0.00%	2.56%
Asia ⁴	25.00%	11.76%	7.55%	1.85%	0.00%	0.00%	4.59%
Spain	5.19%	6.14%	0.49%	0.22%	0.00%	0.00%	0.42%
Rest of Europe ⁵	0.00%	0.00%	2.22%	0.00%	5.00%	10.81%	4.00%
Total	5.38%	7.27%	1.13%	0.53%	0.26%	0.33%	0.84%

¹ In the hiring rate and voluntary turnover rate calculations, the staff of the network of Cepsa Service Stations has not been considered.

² Africa includes: Algeria and Kenya.

³ Americas includes: Brazil, Canada, Colombia, Panama, Peru and the United States.

⁴ Asia includes: China, Malaysia, Singapore, Thailand and United Arab Emirates.

⁵ The Rest of Europe includes: Belgium, Italy, the Netherlands, Portugal and the United Kingdom.

CHAPTER 5

Cepsa in 2017

WORKING CULTURE

We have an excellent team of professionals who share the company's Mission, Vision and Values. This enables us to design, implement and successfully execute our business strategy, which is essential for achieving our business goals.

For Cepsa it is essential to continue as a diverse and inclusive company, throughout all the links of our value chain. To this end, in 2017 we implemented, and will continue to develop in the future, various

diversity and integration programmes, with two main ideas:

- Creating an inclusive culture which inspires and motivates employees in their work and engages them in the achievement of the company's successes.
- Equal and effective participation of all professionals by developing their potential, regardless of gender, age, capacity or culture.

Our team, located in different countries and with different activities, has a diverse

and comprehensive profile in terms of positions, skills, origin and culture.

Employees at 31 December 2017	Under 30 years		Between 30 and 50 years		Over 50 years		Total 2017	Total 2016
	Female	Male	Female	Male	Female	Male		
Executive Committee	-	-	-	3	-	13	16	16
Manager	-	-	5	15	5	55	80	81
Head of Department	-	-	95	287	55	201	638	616
Senior Technicians	40	49	394	838	81	310	1,712	1,677
Intermediate Technicians	18	33	316	605	80	314	1,366	1,408
Specialist	222	286	1,619	2,237	442	907	5,713	5,683
Administrative staff	7	12	77	36	21	26	179	171
Assistant	5	7	16	76	10	19	133	171
Total 2017	292	387	2,522	4,097	694	1,845	9,837	-
Total 2016	308	344	2,562	4,198	609	1,802	-	9,823

Employees by region	Permanent contract	Temporary contract	Total
Africa ¹	116	2	118
Americas ²	541	5	546
Asia ³	178	18	196
Spain	7,529	830	8,359
Rest of Europe ⁴	570	48	618
Total	8,934	903	9,837

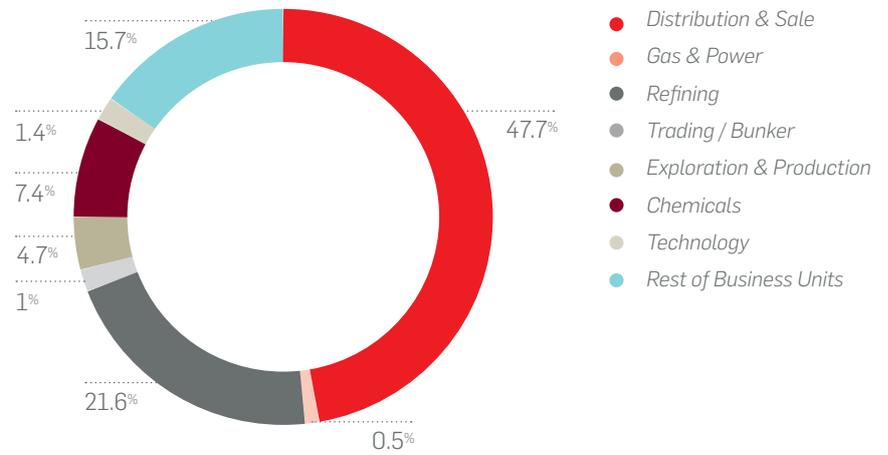
¹ Africa includes: Algeria and Kenya.

² Americas includes: Brazil, Canada, Colombia, Panama and Peru.

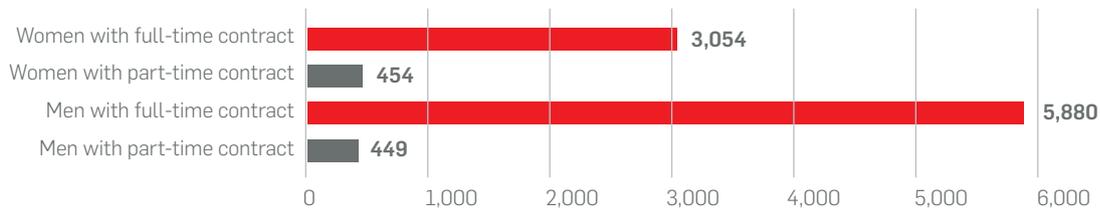
³ Asia includes: China, Malaysia, Singapore, Thailand and United Arab Emirates.

⁴ The Rest of Europe includes: Belgium, Italy, the Netherlands, Portugal and the United Kingdom.

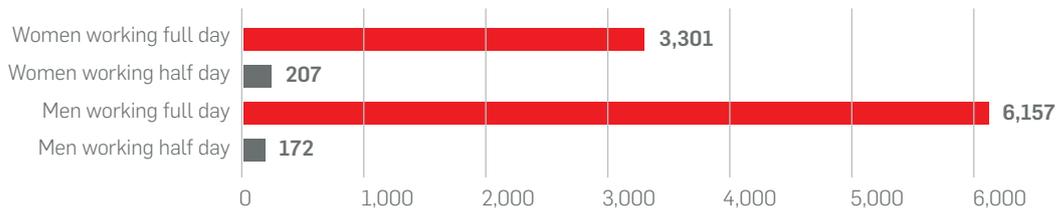
STAFF BY BUSINESS UNIT



STAFF BY TYPE OF CONTRACT



STAFF BY TYPE OF WORKDAY

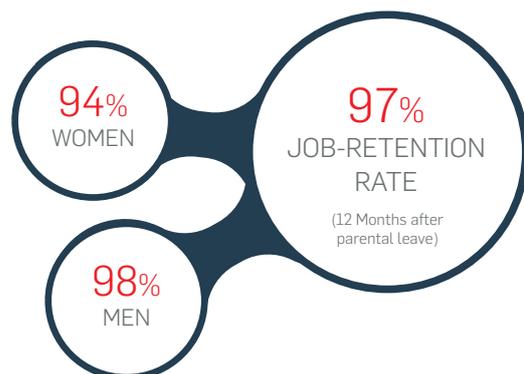
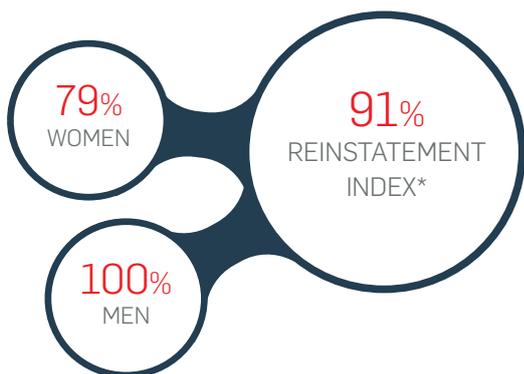


We approach diversity as an opportunity to improve our business strategy, integrating ethics and equality in the treatment and conditions for all people who are part of the company in order to foster a feeling of belonging and motivation. Via integration programmes of different groups and ac-

tions to balance work life and family life, we are continuously improving our efforts.

As such, in 2017, 100% of employees entitled to maternity or paternity leave used it (70 women and 102 men). During 2017, 173 employees returned to work having

enjoyed that leave (51 women and 122 men). The total number of employees who enjoyed maternity or paternity leave and remained in the company 12 months after returning was 167 (48 women and 119 men).



* Staff are included who have used their right to either maternity or paternity leave in 2017 and who have returned to work in the same year.

TRAINING AND DEVELOPMENT

In the knowledge that human capital is our most important asset, we are constantly attentive to our professionals in order to ensure that they acquire the highest technical and managerial skills and that they are equipped to effectively and confidently address the continuous challenges driven by technical progress and the environment in their functions.

It is a priority to identify needs in a structured way, and then propose a training offer that responds comprehensively and

uniformly to the whole company, increasing the responsibility and commitment of all employees through their Training and Development. In order to achieve this objective, the use of tools and options must be optimised; for this we have implemented the '70/20/10' model which takes into account both traditional training, such as innovative methodologies, learning from colleagues and qualifications achieved on the job. The following were two of the most pioneering initiatives:

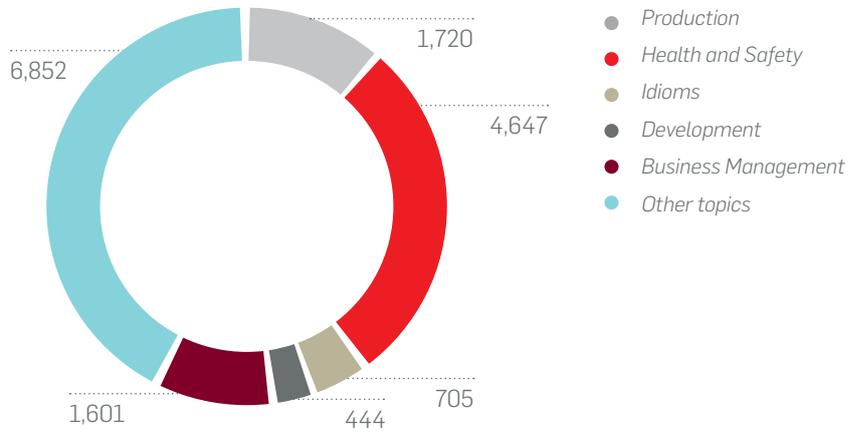
- **Launch of the new learning portal Success Factors – LMS:** This portal enables employees and their managers to become more aware of their learning needs and associated training processes. Different knowledge management tools are integrated into the portal and it provides greater capacity for self-management of personal learning.
- **Development of the model Talent In Motion:** Plans and training paths for different specialities or "Schools" have been defined here; this will help to identify the skills needed for each job function by means of an analysis of requirements by speciality.

Training by occupational category *	Hours of training		Training hours per employee/ year	
	2017	2016	2017	2016
Manager	1,416	2,306	16.1	25.7
Head of Department	13,004	15,898	25.9	32.1
Senior Expert	60,126	64,637	43.0	49.2
Intermediate expert	33,839	46,349	30.3	41.5
Specialist	95,445	103,413	18.9	20.5
Clerical staff	2,226	1,834	18.0	15.1
Assistant	2,506	3,291	33.9	29.5
Total	208,562	237,728	25.0	28.7

Training by gender	Hours of training	Training hours per employee/ year
Female	43,124	14.53
Male	165,438	30.69
Total	208,562	21.2

* Only includes information for Spain.

PARTICIPANTS BY TYPE OF TRAINING*



5,523
* STAFF
TRAINED



€2,897
THOUSAND
INVESTED IN
TRAINING

The training actions performed in 2017 were include the following:

- **Safe driving training programme:** Beyond the training related to the occupational context of our employees, we are also interested in their professional development. To this end, we provide training such as Safe Driving through which they gain knowledge which can be applied both at work (work travel) and in their personal lives (in routine or family travel).
- **Corporate Responsibility Training Programme:** This programme has had a high participation from employees*, with a total of 13,757 hours having been delivered and attendance of 6,813 employees. The training actions included address topics such as Corporate Responsibility, Environment, Prevention of Harassment in the Workplace or practices to prevent Bribery and Corruption.
- **Occupational Safety Diploma:** Targeted at company employees, this programme aims to train them as comprehensively as possible in Occupational Safety and to provide them with an official diploma, which improves their employability. 11% of all employees have obtained this diploma.

* Only includes information for Spain.

CHAPTER 5

Cepsa in 2017

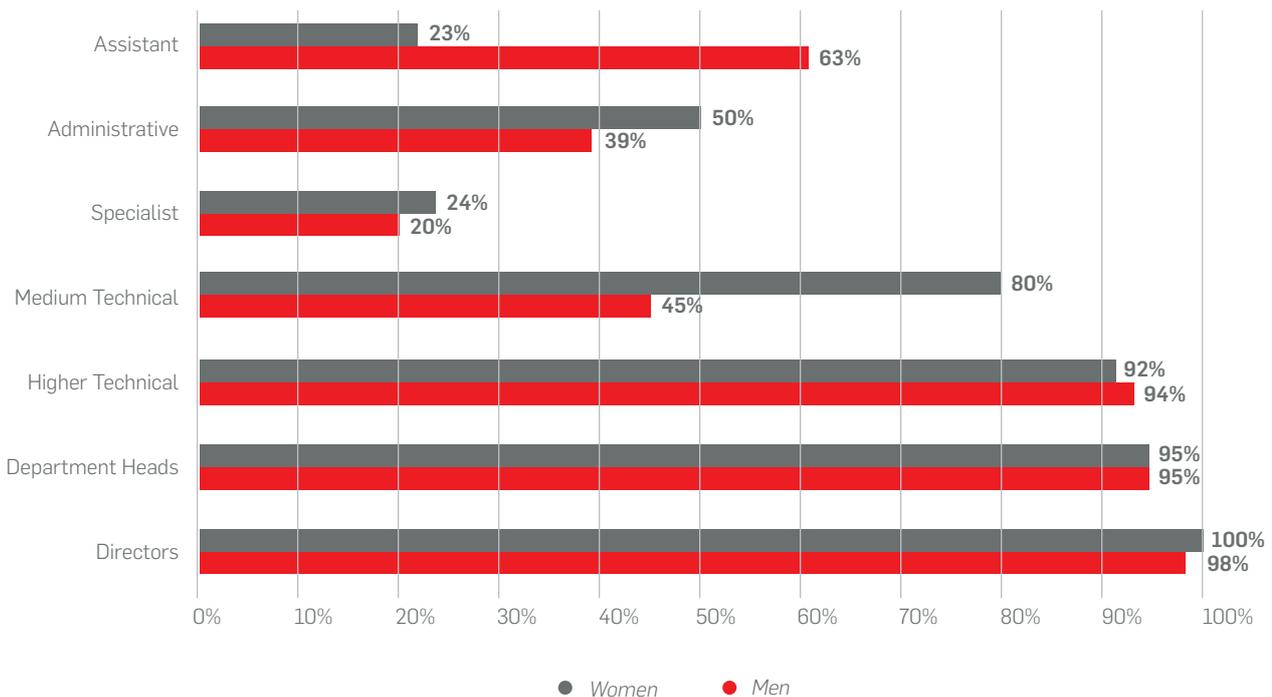


PERFORMANCE

We have a consistent performance management system, both at company and individual level, aligning the interests of the owners with those of the personnel. The individual performance evaluations are part of the Integrated Evaluation Model (MIDE) in which the skills evaluation and the individual's potential converge, enabling us to assess both the contribution of our professionals and the room for improvement and professional growth, facilitating promotion and

increasing their motivation. Performance is assessed based on measurable objectives and recommended criteria, and is conducted annually via tools supported by IT systems. The skills and potential assessment is conducted every two years, completing the system and enabling us to obtain objective results and therefore more realistic results, with a broad vision about the profile and concerns of each of our employees.

EMPLOYEES RECEIVING PERFORMANCE REVIEW





LABOUR RELATIONS

Respect for the right to free association is one of the main principles in our relationship with employees. The Employment Conditions frameworks which are implemented in the areas of action serve to guarantee that the activities that are developed always respect the professionals and are appropriate to their jobs.

The conditions framework is established through the Collective Bargaining and Agreements, which helps us maintain a relationship and two-way communication

with the trade union associations and the legal representatives of the workforce. In addition to complying with the legislation in force, the Code of Ethics and Conduct reflects our commitment to working in accordance with internationally recognised laws and practices, such as the United Nations Universal Declaration on Human Rights, the Declaration on Fundamental Principles and Rights at Work established by the International Labour Organisation (ILO) and the Guidelines for Multinational Enterprises of the OECD.



95%

9,367

EMPLOYEES COVERED BY COLLECTIVE BARGAINING AGREEMENTS

5.2 INNOVATION

“We rely on a powerful Research and Development department that leads innovative projects, and Engineering operations, which leads and launches large-scale projects.”

We understand innovation as the constant improvement of our processes and products; a lever that drives and stimulates us, and that allows us to maintain our leadership, seek operational excellence and address technological challenges that provide us with high profitability.

We rely on a powerful Research and Development department that oversees innovative projects, with the objective of

capturing opportunities for the different businesses of the Company, and Engineering activity, which leads and launches large-scale projects, such as the building of new plants, which is also of particular interest, since it deals with updating and increasing value of the production of the units at our industrial plants.

Throughout 2017, the Engineering Unit worked on the following projects:

- 1 | **OPTIMISATION OF AROMATICS PRODUCTION (LA RÁBIDA REFINERY).** Increase in the production of xylene and benzene (raw materials for the Chemical area), as well as improvements in the safety of the facilities.
- 2 | **INCREASE IN DEGREE OF CONVERSION IN ISOMAX (GIBRALTAR SAN ROQUE REFINERY),** in order to increase the production of middle distillates, of greater added value.
- 3 | **REVAMPING THE ALKYLATION UNIT (GIBRALTAR SAN ROQUE REFINERY).** This project will enable its processing capacity to increase.
- 4 | **SORBEX II: NEW METAXYLENE RECOVERY UNIT (GIBRALTAR SAN ROQUE REFINERY).** This new unit will supply raw materials to the nearby chemical PIA/PET plant.

We also promote the transformation of business and corporate functions, through the search and implementation of new digital technologies, innovation models and customer experience that allow us to maximize our operational efficiency. To

this end, we have launched a new organizational unit called Digital Transformation, which has defined a Company strategy and prepared a detailed action plan to maximise the value of digital initiatives that are identified and implemented.

R&D PROJECTS

Our Research Centre aims to improve production processes, enabling production to be maximised or new products to be generated, always meeting the principles of sustainability, energy efficiency and minimising consumption of resources and generation of waste and discharges.

In 2017, we implemented several research projects, including:

- Catalyst selection project, to optimise production cycles and the sulphur and benzene reduction phases in our products.
- Project NewDetal, through which we will test the technical feasibility of utilising different by-products of kerosene from those already used to produce partially biodegradable sulfonates with detergent properties.
- Project Cumene, around which a new R&D area has been created in the Research Centre. It enables the evaluation of alternative technologies for the production of Cumene, a compound derived from the alkylation of benzene with propylene, based on the selection of a catalytic alternative that can optimise the process and position us versus major competitors.
- Bottom of the Barrel project, active since the previous year, and in which this year progress has been made in the analysis of waste generated by the process and its stability, as well as optimisation of the processes to launch production of IFO380 by 2020.



5.3 SAFETY

“Our zero accidents goal is a top priority and covers both work and non-work activities.”

At Cepsa we have a deep-rooted safety culture, which involves employees, business partners, suppliers, processes, information we manage, facilities and transport. Our commitment to safety can be seen in the activities we perform

on a daily basis thanks to the risk analysis, implementation of control measures, management of changes in processes and products, and management of all our employees in continuous improvement.

HEALTH AND SAFETY OF OUR EMPLOYEES

Our goal is to always work towards zero accidents in and out of the workplace, underpinned by the safety attitude of all Cepsa employees. That is why to mitigate potential risks and reduce the rate of accidents, we work to have safe facilities and carry out continuous maintenance controls, in addition to having a Health, Safety, Environmental Protection and Quality Policy that helps us to set annual objectives in this field and ensure compliance.

In 2017 we carried out an intensive programme of actions to promote the safety of our employees, including the following:

- Specific events, such as World Safety Day, in which all employees received a gift with our motto 'Be Safe, Be Cepsa', as well as different activities at the work centres based on the main safety guidelines adhered to in our daily work as a company.
- Improve communication channels with employees, in order to disseminate in different formats the lessons learned

about accidents or potentially serious incidents. In this respect, Climate & Commitment surveys have also been conducted in order to gather information about employee perception regarding Safety at Cepsa. This helps us to achieve a permanent two-way flow of communication, facilitating continuous improvement in this field.

- Road Safety Training Plan, which includes training courses in collaboration with RACE (Real Autom6vil Club de Espa1a) for employees staff who use their vehicle for work, as well as theoretical training for all workers of the company, in order to extend safety to the workplace and in their personal lives. The actions carried out under this programme were underpinned by a Road Safety Manual and included competitions, surveys and videos, among others.
- Review of safety training programmes, both introductory and updated knowledge, to improve the performance and training in this area of our employees.

In 2017, there were no deaths as a result of our activities.

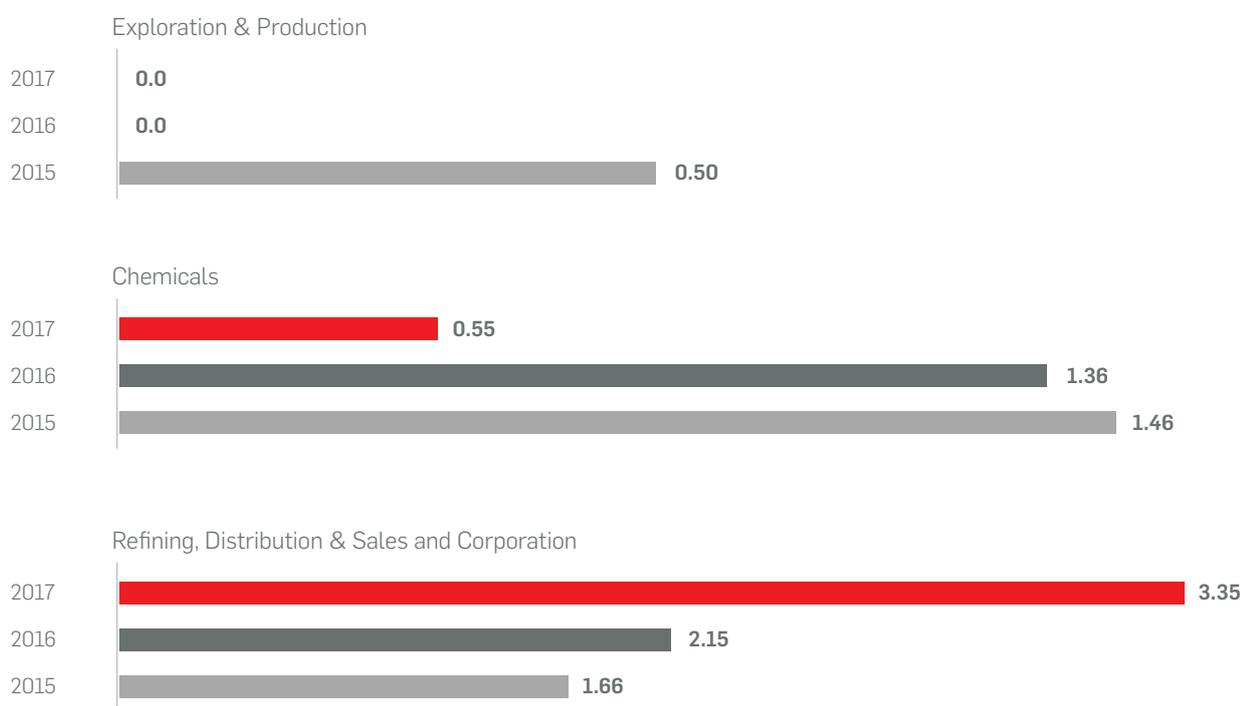
Accident and absenteeism rates ¹ (In-house personnel)		2017	2016	2015
Number of accidents leading to sick leave	In-house personnel	25	34	57
	In-house personnel + Contractors	30	40	74
Frequency of accidents resulting in leave ²	In-house personnel	1,38	1,86	2,89
	In-house personnel + Contractors	1,00	1,24	1,75
Absenteeism rates due to common illness (%)		2,32	2,23	2,38
Total rate of absenteeism (%) ³		3,60	3,49	3,77

¹ Absenteeism data relates to companies located in Spain, and not include the Managers and the Heads of Department.

² Number of accidents resulting in leave per million hours worked.

³ Numbers of hours absent for any reason during the theoretical annual working year.

FREQUENCY OF ACCIDENTS BY BUSINESS¹ (IN-HOUSE PERSONNEL)



¹ Calculation formula: Total number of accidents resulting in leave per million actual hours worked.

SAFETY AT FACILITIES

Process safety

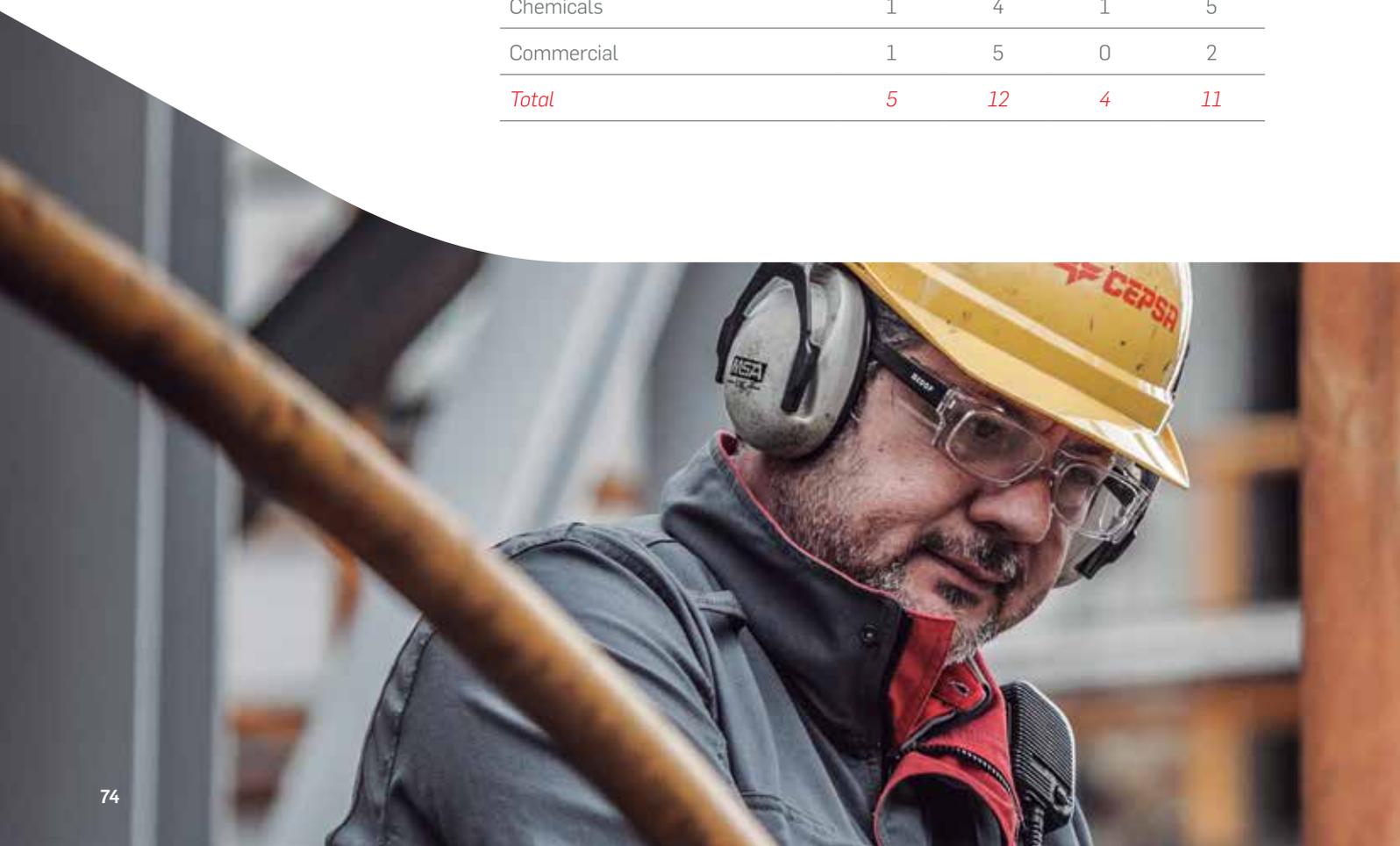
Our goal of continuous improvement includes the implementation of the Process Safety Management System, which takes into account the guidelines

promoted by the *Energy Institute* in this area. Through the voluntary adoption of this model we seek to achieve four fundamental objectives:

- 1 | DEFINE THE PRINCIPLES TO BE FOLLOWED IN PROCESS SAFETY.**
- 2 | TRAIN OUR EXPERTS AND EVALUATE RISK CONTROL PROCESSES.**
- 3 | PREVENT INDUSTRIAL ACCIDENTS WHICH MAY OCCUR.**
- 4 | GUARANTEE THE INTEGRITY OF ACTIONS ON THE ASSETS OF THE COMPANY.**

Over the course of 2017, the following incidents took place in terms of process safety:

Incidents in terms of process safety (By business)	2017		2016	
	Tier 1	Tier 2	Tier 1	Tier 2
Exploration and Production	1	0	2	1
Refining	2	3	1	3
Chemicals	1	4	1	5
Commercial	1	5	0	2
<i>Total</i>	<i>5</i>	<i>12</i>	<i>4</i>	<i>11</i>



“We work to ensure that the entire human team of the business units receives training in Human Rights.”

Regarding the events that occurred at our plants related to spills of substances, in 2017 there were 4 incidents that, according to their materiality, we consider significant: two incidents at the Gibraltar San Roque refinery with spilt volume of crude of 2,935 m³ and 24 m³ respectively, a spill of phenol at the Palos de la Frontera chemical plant and a spill of maleic

acid mixed with water at the Gibraltar San Roque Refinery of 2,7m³. Thanks to our prompt action and our preparation for this type of event, none of them has had an impact on the environment outside the facilities in which they occurred. We have verified all the quality parameters of the surroundings and obtained satisfactory results on all counts.

SECURITY PERSONNEL AND HUMAN RIGHTS

At Cepsa we work to ensure that the entire human team of the business units receives training in Human Rights, and that this is progressively extended to external workers, with the insertion in Security personnel contracts of a clause requiring respect for Human Rights.

Our commitment to ensure the training of our professionals in this area has led us to train 100% of our Security employees in Spain and Colombia in Human Rights issues. In addition, this year we have managed to train 100% of employees in the auxiliary companies of Peru and Algeria.

CUSTOMER HEALTH AND SAFETY

From the Product Protection department, we work to ensure that our products are safe in terms of health aspects and for the environment throughout their life cycle. From the beginning of our research

project through until products are marketed, we carry out a rigorous evaluation process of all its characteristics in order to certify the protection of our customers, our professionals and the environment:

EVALUATION OF DANGERS

We identify the elements of the chemical products and classify them according to market standards.

WARNING OF DANGERS

We inform of the dangers of each product through data sheets and danger warnings.

RISK EVALUATION

Every time we incorporate a new substance or application to a product, we evaluate the exposure risk it has.

COMPLIANCE WITH LEGISLATION

As well as complying with all current legislation and rules, we also participate in voluntary programs for the sector.

PRODUCT SAFETY

All our customers have information available on the product, its distribution, legislation and how to use it in a safe manner.



469
REQUESTS
RECEIVED
IN 2017



97%
REQUESTS
REPLIED TO
UNTIL 31-12-2017

In order to identify all the characteristics of our products for our consumers, we adhere to Classification, Labelling and Packaging Regulations that allow us to provide complete information about the components and the hazardousness of each of the substances with which we work, in order to ensure safe use by the consumer. In this respect, projects like Read the label! help us to value the importance of the information collected in the product labels for users, supported by training, information and dissemination activities in relation to the safety of our products.

We firmly believe that our relationship with consumers and the close and constant contact with them make it possible for us to carry out a process of continuous improvement of our product quality and safety. To do this we use tools such as Service Now, with which we can provide solutions to their queries and requirements by improving our response times; as well as using the extracted data to try to anticipate them and develop better solutions.



CYBERSECURITY

We have a set of rules and procedures that help us to manage the security of information processed by the company's IT systems, as well as the assets that participate in its processes and business.

This management is structured through the implementation of the Security Services that the company deploys following the best practices available in the market. As part of the process of continuous improvement we certify our processes (Information and Communication Technologies (ICT) and its security process under the international standards ISO 27001 and ISO 20000. Also, the Cybersecurity area is responsible for reporting and managing technological risks in line with corporate ERM (Enterprise Risk Management) methodologies.

In this respect, in 2017 we have launched a global initiative composed of six strategic lines in order to adapt our organisation to the new digital context. These lines include: the analysis and design of the evolution of the IT and Industrial Systems security function, regulatory compliance - new General Data Protection Regulation (GDPR) or the Law for the Protection of Critical Infrastructures (LPCI), among others - a global programme for training and awareness for users, security processes in the contracting of suppliers, and the evolution of various existing Cybersecurity technologies.

With regard to the management of Cybersecurity incidents, the specific process certified according to the standards has resulted in zero attacks in 2017 with a notable impact on our business processes.

5.4 ENVIRONMENT

At Cepsa, we are aware that our activities have an adverse impact on the environments in which we operate. To this end, a large part of our efforts are aimed at minimising that impact, underpinned by one of our values, Sustainability, which drives us in our intention as we advance as an energy company to be aligned with

respect for the environment and our surrounding environment.

We approach the management of the most relevant environmental aspects in the development of our activities based on 6 main pillars:



ENVIRONMENTAL
MANAGEMENT



WATER
MANAGEMENT



CLIMATE
CHANGE



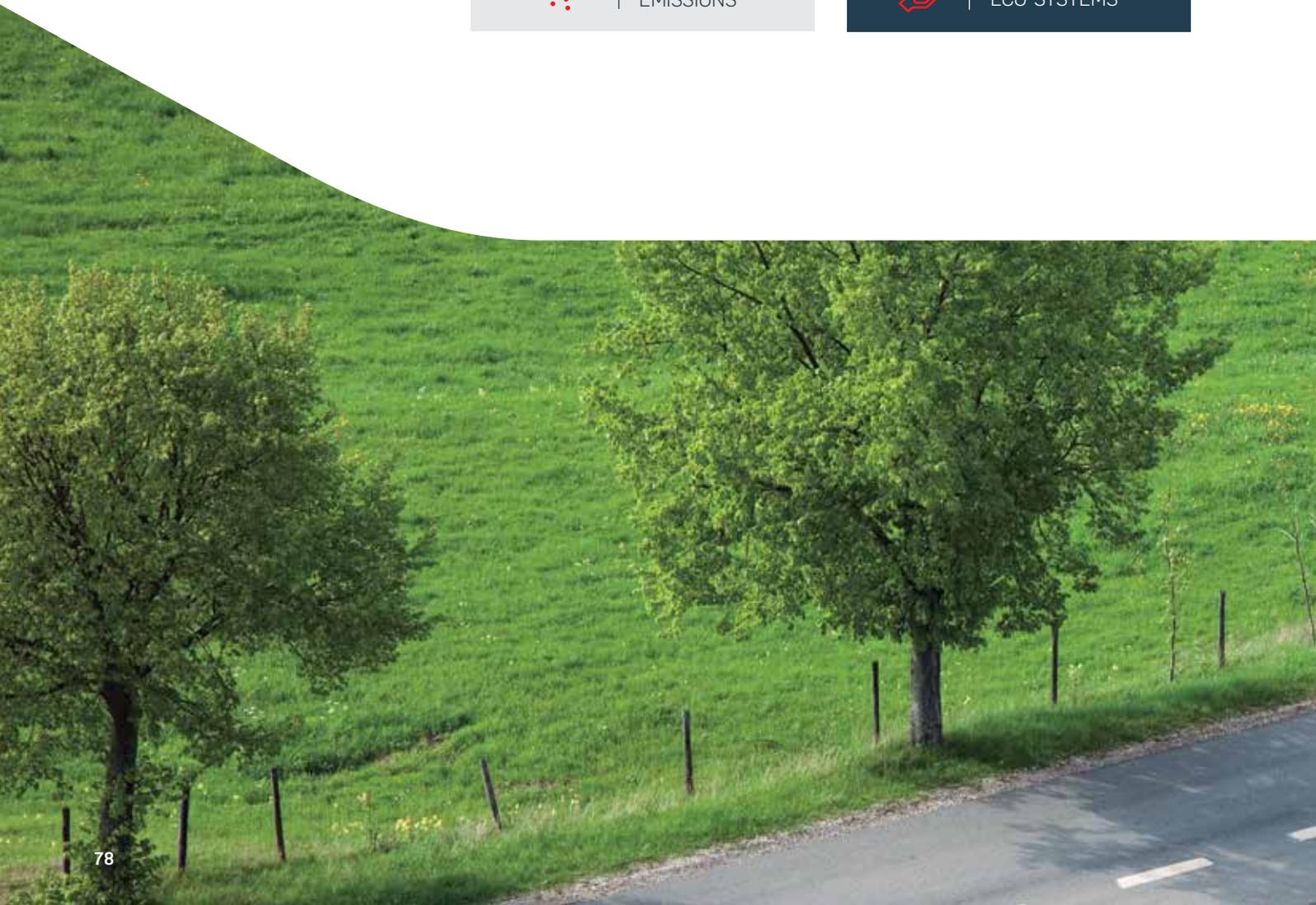
CIRCULAR
ECONOMY



NON-GHG
EMISSIONS



PROTECTION OF
ECO-SYSTEMS



ENVIRONMENTAL MANAGEMENT

Cepsa has an Integrated Environmental Management System (EMS) underpinned by our Health, Safety Environment and Quality Policy, (HSEQ), which is mandatory for all our areas of activity and processes. Thanks to the EMS, we contribute to sustainable development in a coherent, integrated and aligned manner at all levels of the company, protecting the environment and responding to changing environmental conditions, in balance with socio-economic needs.

Having an EMS allows us to manage significant environmental aspects, meet legal requirements and other applicable requirements, and address risks and opportunities. Our commitment is to improve environmental performance day by day by preventing or mitigating the adverse environmental impacts of our activities, products and services, both globally and in our plants' surroundings, through the implementation of respectful environmental alternatives and through the

communication of information to relevant stakeholders in a transparent manner. To this end, we establish environmental objectives in accordance with the policy and implement processes to achieve the expected results.

One of the improvements that we have included this year has been the adaptation of the EMS to the latest version of the ISO 14001: 2015 standard, for which we have standardised the identification and evaluation of environmental aspects throughout the company with the key involvement of the production plants and business units.

The monitoring and measurement of processes with respect to environmental policy, including commitments, environmental objectives and operational criteria, enables us to identify and take appropriate action for continuous improvement.



CHAPTER 5

Cepsa in 2017

Environmental Investment and Expenditure

In 2017, the investments and environmental expenses items have increased versus the previous year, especially in the

development of innovation projects that help us to reduce emissions and protect the environment.

Environmental Investment and Expenditure (Millions of euros)	2017	2016
Environmental Investment ¹	8.1	5.3
Environmental Expenditure ²	63.3	62.5

¹ Expenditure classified as HSE/Environment in 2017 according to primary data source

² Comprising environmental costs of operation of the facilities, allocated under the criteria of the plants and business units. Includes costs for services contracted by Environment Protection.



€9 M
INVESTMENT
IN RENEWABLE
ENERGY

Likewise, and with the aim of seeking new forms of energy generation that are more environmentally sustainable, we have in-

vested approximately 9 million euros in renewable energies within the Gas and Electricity business area.

CLIMATE CHANGE

One of our priority objectives is to improve our management to reduce our Greenhouse Gas (GHG) emissions that we measure, seek to reduce and report on publicly. A fundamental part in this aspect are the innovation projects that we develop and that enable us to increase the efficiency of our activities and processes in order to comply with the best international standards and recommendations in this regard.

Our positioning and strategy towards Climate Change is based on two fundamental pillars:

- The promotion of an energy policy that affects the environment and a regulation on global GHG emissions, which enable the technical and economic viability of the sector while providing greater protection and tools against the causes and effects of Climate Change, defending the three principles of our energy policy: supply security, price viability and competitiveness.
- The commitment to reduce the Environmental and Carbon Footprint of

our activities and products, for which we promote better communication regarding the management and impact of GHG emissions, as well as a reduction of our emissions under international standards such as the ISO 14064.

We are one of the companies certified by the Carbon Disclosure Project (CDP) regarding our transparency in the identification of risks and opportunities derived from Climate Change and their Management. We have also implemented Energy Management Systems, most of them certified under the international standard ISO 50001, enabling us to conduct exhaustive control over the energy consumption of our activities and manage them under criteria of maximum efficiency, in addition to establishing specific reduction objectives in each business area.

Cepsa has set a carbon intensity target with a horizon of 2019, with annual objectives. For this KPI indicator, a specific refining carbon intensity ratio has been selected, with this business area corresponding to the area in which most of



our CO₂ emissions are concentrated. The CO₂ KPI is the leading benchmark in the Refining sector used in the European Regime of CO₂ Emissions Market, expressed as kgCO₂ per unit of CWT - Complexity Weighted Tonne - with this tonnage indicating the complexity of a refinery, given that it computes the loads and productions of the units that make up the refinery in terms of carbon intensity.

In order to monitor it, we take monthly readings of the emission intensity ratio

in order to evaluate performance and the possibilities of reducing emissions; in 2017, the CO₂ KPI target value established initially was reached. This objective of reducing emission intensity applies to all Cepsa personnel, which demonstrates our commitment to climate change.

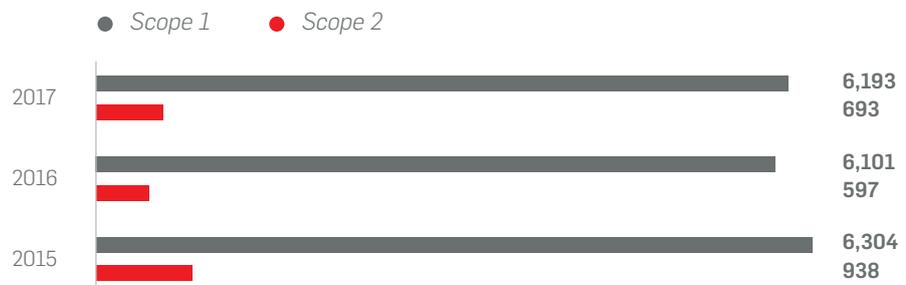
We believe that this indicator is a good reflection of our global commitment even though it is specific to Refining, although we are developing a C index that encompasses all our business units.

Greenhouse gas emissions

At Cepsa, the scope of our GHG emissions reporting¹ (CO₂, CH₄ and N₂O) is both national and international. The Carbon Footprint certification under the ISO 14064:1 standard has the GHG scope nationally and in terms of operational control, reporting both scope 1 (direct combustion and processes) and scope 2 emissions (emissions derived from the acquired energy).

Likewise, we report on our emissions under scope 3 (emissions in the Cepsa value chain), with 10 categories having been certified of the 15 standardised categories under the GHG Protocol in 2017 according to ISO 14064:1.

GREENHOUSE GAS EMISSIONS. SCOPES 1 AND 2.
(Thousands of tonnes of equivalent CO₂)



¹ This report uses international methodologies such as ISO 14064, DEFRA database conversion factors, national greenhouse gas emissions inventory, GHG protocol methods, analytical calculations of emission factors at facilities and global warming potentials set out in the latest IPCC AR5 report (5th report 2014).

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The emissions corresponding to 2016 and 2015 have been recalculated, since for 2017 emissions we have taken into account 100% of the assets operated by the Exploration and Production business, regardless of the participation of Cepsa in each one of them, as well as the assets operated by the Company in Algeria, in which the corresponding Working Interest is applied.

This year we have managed to reduce our emissions in Scope 1 and 2 by more than 5% versus 2015, despite the fact that a slight increase is detected with respect to the emissions recorded in 2016. This is due to the inclusion of new plants and consumptions.

The following changes in reporting scope between the reported years are mentioned:

Disposal of Guadarranque CP and Montreal CP, inclusion of the emissions from the G20 Combined Cycle Plant and CBSR Cepsa Bioenergy San Roque in San Roque.

It should be noted that in the scope 1 and 2 reporting, according to operation criterion in the GGH reporting, neither the Sinarmas facilities (Genthin and Indonesia), nor the ASES facilities are included, since they are considered in the scope 3 reporting.

A breakdown of scope 1 and 2 emissions by financial interest of our facilities is provided, with the percentage of operational control assumed, together with the breakdown of our emissions per business area:

ATMOSPHERIC EMISSIONS. SCOPE 1 AND 2. (Thousands of tonnes of equivalent CO₂)

	2017	2016	2015
Wholly owned	5,007	4,674	4,994
% financial interest ¹	1,879	2,024	2,248
Total	6,886	6,698	7,242

¹ Includes companies and facilities in which <100 % financial interest is held.

GHG EMISSIONS BY BUSINESS UNITS. (Thousands of tonnes of equivalent CO₂)

	2017		2016		2015	
	Scope 1	Scope 2	Scope 1	Scope 2	Scope 1	Scope 2
Refining	3,282	497	3,309	415	3,371	461
Chemicals	701	167	684	155	751	451
CGE	445	1.4	216	0	219	0
GEPESA*	1,052	0	949	0	906	0
Exploration & Production (EP)	703	0.2	936	0.1	1,049	0,1
Commercial	10	28	8	27	8	27
Total	6,193	693	6,101	597	6,304	938
Total scopes 1+2	6,886		6,698		7,242	

* GEPESA: Generación Eléctrica Peninsular.



Regarding scope 3 emissions or indirect emissions, we have achieved a reduction of 2% in CO₂ emitted by our activities versus 2016, despite having included this year a new category not contemplated

previously which has been verified during this year, specifically the emissions generated by business travel, employee commuting and the energy consumed at the Cepsa Tower as assets leased upstream.

GREENHOUSE GAS EMISSIONS. SCOPE 3.*
(Thousands of tonnes of equivalent CO₂)



* Non-audited data.

Intensity of emissions by business units

We manage the volume of GHG based on the level of activity at the plants generating them; this is what we call intensity of emissions. Due to the great diversity of our industrial activities, the intensity of emissions is calculated based on different variables that are characteristic

of each of the businesses. To date, to have this information available for the entire company we use the Net Income after taxes (CLEAN CCS NIAT). However, from HSEQ (Health, Safety, Environment, Quality) we are evaluating a global Carbon Index for all units.

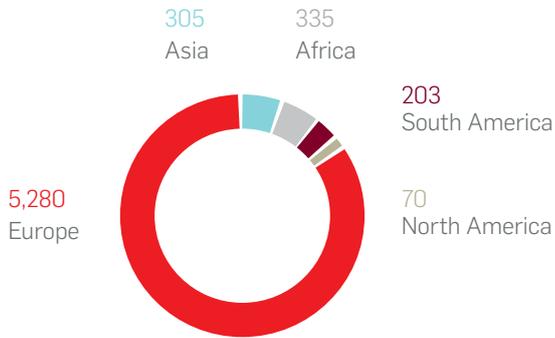
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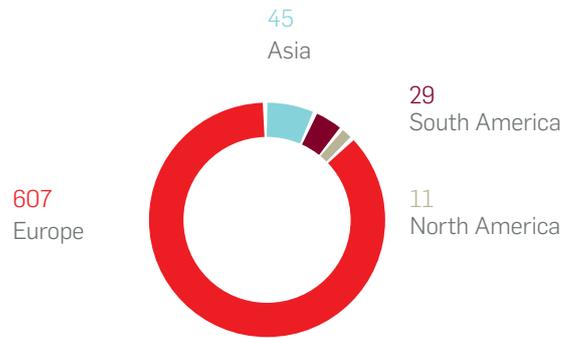
GREENHOUSE GAS EMISSIONS. SCOPE 1 AND 2.

	2017	2016	2015
Exploration and Production (tonnes of CO ₂ equivalent/tonnes Oil&gas)	0.12	0.147	0.155
Refining (tonnes of CO ₂ equivalent/tonnes crude oil processed)	0.184	0.177	0.183
Chemicals (tonnes of CO ₂ equivalent/tonnes production)	0.17	0.167	0.29
Gas & Power (tonnes of CO ₂ equivalent/MWe)	0.80	0.67	0.68
<i>Total emissions (tonnes of CO₂ equivalent/Clean CCS NIAT, €)</i>	<i>0.008</i>	<i>0.012</i>	<i>0.012</i>

GREENHOUSE GAS EMISSIONS BY GEOGRAPHICAL AREA 2017.
SCOPE 1.
(Thousands of tonnes of equivalent CO₂)



GREENHOUSE GAS EMISSIONS BY GEOGRAPHICAL AREA 2017.
SCOPE 2.
(Thousands of tonnes of equivalent CO₂)



These data show that emission intensity has remained similar or in decline. Unifying the emissions per energy unit, the global downward trend is confirmed in 2017 of the intensity of our emissions. We have managed to increase our activ-

ity in the different business units without compromising energy efficiency and optimising the resources used for this, so that we can continue to grow in a sustainable manner.

Climate change risks and opportunities

We are aware that our activities, based on energy supply and petrochemical solutions, are powerfully affected by generation of GHG emissions. That is why we maintain a firm commitment to combat Climate Change. We have framed a Carbon Strategy that provides us with a range of tools to ensure compliance with the strictest regulations and standards, and with the efficiency and sustainability targets that we have set ourselves. However, we are in the process of expanding

and aligning this Carbon Strategy with our strategic lines within the 2030 time-frame.

Thanks to this management, in 2017 we obtained a grade of A- in the Carbon Disclosure Project (CDP) questionnaire, a benchmark among companies worldwide, which recognises the firm undertaking of Cepsa to generate value based on sustainability criteria and respect for our environment.

Energy consumption and efficiency

In 2017, our company's energy consumption increased slightly, mainly due to the commissioning of the combined cycle power plant of Cepsa Gas and Electricity in San Roque, as well as the inclusion for the first time of the consumption of carbon made in the Sinar Mas chemical

plant from Indonesia. Except for natural gas, the efforts made during this year to optimise the use of fuels such as fuel oil, fuel gas or diesel, resulting in a decrease in their consumption for the generation of energy are noteworthy.

Total consumption energy per source (Thousands of GJ)	2017	2016	2015
Fuel-oil	3,521	5,162	7,762
Natural Gas	44,535	38,882	37,947
Crude oil	174	403	567
Fuel Gas	31,973	31,921	31,430
Diesel	3,243	3,703	3,370
Carbon (SINAR MAS, Indonesia plant 50%)	421	-	-
Other fuels (residual currents, propane and butane)	1,379	1,437	1,112
Biomass	0	0	0
Purchased power	6,562	6,380	9,250
Purchased steam	380	0	0
Renewable energy other than biomass (e.g.: solar, wind, etc)	85	86	47
TOTAL	92,272	87,974	91,485

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In addition to the emissions derived from internal energy consumption, we calculate the external energy consumption through the emissions of scope 3. These emissions are converted to the equivalent

consumption unit of natural gas using the National Emissions Inventory factor. The categories that are certified this year under the scope of ISO 14064 are as follows:

EXTERNAL ENERGY CONSUMPTION BY CATEGORY. (Thousands of GJ of natural gas)

Category	2017	2016
Acquisition of goods and services	83,233	77,477
Activities relating to fuel and energy	8,359	7,125
Waste generated	55	96
Business travel	117	-
Employee commuting	74	-
Assets leased upstream (Cepsa Tower Building)	8.2	-
Transport and distribution of raw materials	13,923	13,565
Use of sold products	912,483	942,337
Franchises	601	569
Investments ¹	782	810

We carry out actions that increase the efficiency of our activities in chemical plants and refineries. That is why, in 2017, different projects have been carried out leading to energy savings of 368,619 GJ.²

tive or technical measures at the plants, as well as installation of new machinery at the plants enabling increases in power and efficiency of operations, as well as significant energy savings.

These improvements have been mainly due to the implementation of construc-

Direct energy efficiency	2017	2016	2015
Refining (GJ/t processed)	2.15	2.17	2.21
Chemicals ³ (GJ/ t produced)	2.86	2.82	4.18
E&P (GJ/t oil and gas produced)	1.01	1.07	1.10
Gas & Power (GJ/kWe)	14.09	11.86	12.10

¹ Those domestic or foreign companies over which we do not have 100% financial nor operational control are included.

² Reductions are reported based on direct measurement of fuels, fuel oil, natural gas and electricity at the plants of La Rábida Refinery, Tenerife Refinery and Cepsa Química Puente Mayorga.

³ The calculation excludes data on energy use and production at the Sinarmas plant because it is not under our operational control.

The energy efficiency indicator measures the variation of energy consumption in proportion to the volume of activities at each of our business units. This year we have managed to reduce the efficiency

ratio values, both in the Refining and Exploration and Production activities, thanks to the implementation of multiple energy efficiency measures and processes in our production plants.

NON-GHG EMISSIONS

At Cepsa we prevent and control all our significant emissions into the atmosphere, not only GHG emissions, with the objective of minimising the damage that the substances can cause to the environment or health. We have an action system based on the continuous control of these emissions; our emission indicators per product unit have been on a downward trend year after year thanks to our improvements in

combustion, the use of cleaner technologies and abatement systems.

The only significant increases recorded in the measurements are the SO₂ emissions and suspended particles from the Chemicals business area, which are mainly due to the incorporation of the Sinar Mas plant, in Indonesia.

SO ₂ emissions	2017	2016	2015
Refining (kg/t processed)	0.283	0.328	0.360
Chemicals (kg/t produced)	0.030	0.004	0.005
E&P (kg/t oil and gas produced)	0.020	0.052	0.061

NOx emissions	2017	2016	2015
Refining (kg/t processed)	0.170	0.154	0.157
Chemicals (kg/t produced)	0.128	0.131	0.149
E&P (kg/t oil and gas produced)	0.716	0.817	0.935

COVNM emissions	2017	2016	2015
Refining (kg/t processed)	0.014	0.012	0.025
Chemicals (kg/t produced)	0.121	0.176	0.157
E&P (kg/t oil and gas produced)	0.091	0.116	0.120

PM emissions	2017	2016	2015
Refining (kg/t processed)	0.012	0.012	0.015
Chemicals (kg/t produced)	0.006	0.003	0.004
E&P (kg/t oil and gas produced)	0.010	0.012	0.013

At Cepsa, we are working to decrease emissions arising from the products that we sell on the market, and optimising the formulation of our fuels, which would enable us to reduce their impact on air quality. We comply with the most recent European regulations on benzene, lead and sulphur

content in fuels (EN 228 for gasoline, EN 590 for diesel and DEF STAN 91-901 for aviation kerosene). Similarly, our marine fuels comply with the sulphur limits set in the MARPOL 73/38 International Convention, and the new European Directive on the sulphur content of liquid fuels.

WATER MANAGEMENT

Water is a source of life. We are aware of its importance and we recognise the fundamental right of people to access and availability of fresh water; we assume the responsibility to manage it in a sustainable way and we apply the best techniques to control and reduce discharges from operations, emphasising the quality of the water that we return to the natural environment in order to minimise as much as possible the impact derived from the activities and processes of the production plants and business units.

Water is an essential resource for operations. In exploration and production it is required for the drilling of wells and also during the extraction phase. In refining, petrochemical, marketing of products and generation of electricity water is used during manufacturing, and as a source of steam and process cooler, among other uses.

We seek out and implement the best techniques to ensure that water capture and discharge to and from our facilities

are compliant with the limits set in our operating licences and are respectful of the natural environment. Before designing a new project or expanding existing facilities, we consider the issue of responsible water use and seek to set in motion the following measures:

- Prevention: use water efficiently to drive savings.
- Maximise reuse of process waters.
- Purification of water in order to be able to recycle it.
- Treatment of water that cannot be reused or recycled to adapt its quality to the receiving environment in accordance with environmental authorisations.

Our water management was rated "C" under CDP (Carbon Disclosure Project), thus our challenge for next year is to improve water management and, as a result, be recognised for this.



WATER VOLUME COLLECTED
(Thousands of m³)

	Municipal network		Groundwater		Surface water		Process waters		Waste water from another company	Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2017	2016
Exploration and production	37	30	3,395	676	44	65	27,935	14,496	0	31,411	15,266
Refining	11,683	12,325	0	0	567	631	61	66	18	12,329	13,021
Chemicals	4,813	4,479	0	31	568	22	0	0	0	5,381	4,532
Commercial	657	539	462	436	0	0	0	0	0	1,119	975
Total	17,190	17,372	3,857	1,143	1,179	717	27,996	14,562	18	50,241	33,794



The increase in the volume of water used in 2017 is mainly due to exploration and production activities, mainly in Colombia, where the increase in activities has led to the increase of produced/ process water. This water is extracted together with the crude oil produced, after which it is either recycled to be used for other uses, or it is re-injected into the soil to return it to the environment from which it was unintentionally

extracted. The reuse and recycling of water in Exploration and Production activities considerably reduces the need to collect raw water from a source other than produced/ process water, thus that volume is substantially lower than the unintentionally collected volume.

The volumes of reused and recycled water in 2017 are as follows:

	2017	2016	% of total captured water
Reused water (m ³)	15,246	80	0.0003
Recycled water (m ³)	263,432	286,632	5.2429

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VOLUME OF DISCHARGED WATER (Thousands of m³)

	Refining		Chemicals		Exploration & Production		Distribution & Sales	
	2017	2016	2017	2016	2017	2016	2017	2016
Surface Water	7,829	8,218	1,020	831	439	622	15	31
Groundwater	-	-	-	-	30,611	7,667	5	2
Treatment Plant	-	-	602	605	63	5	1,037	1,184
Wastewater to another company	-	-	-	-	-	-	41	-
Total	7,829	8,218	1,622	1,436	31,113	8,294	1,099	1,218

In the Exploration and Production business area, the difference between the discharge data and the data reported in 2016 stems from the change of definitions and criteria used in water management, established according to our specific management procedure for this area. Another of the great variations of data in this same area is due to the fact that the informa-

tion related to the water discharged at the Ourhoud asset was not published last year, with the data corresponding to 2016 and 2017 having been included in this data set. As for the captured water, a large increase in the water discharged at the asset in Colombia comes as a result of the increase in its activities in 2017.

Main control parameters in discharges (tonnes)		2017	2016
Refining	Total organic carbon	194.66	106.16
	Suspended solids	152.18	159.00
	Oil and grease	28.69	29.54
Chemicals	Total organic carbon	41.05	23.16
	Suspended solids	102.92	57.62
	Oil and grease	1.59	4.08

We work to improve the quality of the discharges of our Refining and Chemical plants and in the last two decades we have considerably improved their quality. The variations in the values of total organic carbon and suspended solids in 2017 versus 2016 are due to the increase in production at our plants, added to which is the contribution of plants in the Chemi-

cal area commissioned in 2017, Sinarmas Cepsa Indonesia. The data in the table above are not referenced to the distilled crude oil (Refining) or the quantity of products manufactured (Chemical), so the comparison does not translate into better or worse environmental unemployment in these business areas.

CIRCULAR ECONOMY

One of our environmental objectives is to minimise consumption of materials and

waste production, thus minimising impacts on the environment.

Consumption of Raw Materials

We are aware that any increase in our business involves an increase in raw material utilisation. Our efforts focus on innovation projects that seek alternatives to optimise our materials utilisation and ensure our processes increasingly use renewable materials. The incorporation of bio com-

ponents into our fuels, together with the production of our Cepsa Bioenergy San Roque plants and the Indonesian plant, where 100% of consumed materials come from renewable sources, have meant that in 2017 this type of material represents 1.56% of the total consumed by Cepsa.

RAW MATERIALS BY SOURCE AND BUSINESS AREA (Thousands of tonnes)

	Renewable			Non-renewable			Packaging materials			Total		
	2017	2016	2015	2017	2016	2015	2017	2016	2015	2017	2016	2015
Refining ¹	401	324	313	21,260	21,748	21,667	-	-	-	21,661	22,071	21,980
Chemicals ²	48	-	-	4,264	3,931	3,734	-	-	-	4,312	3,931	3,734
Gas & Power	-	-	-	482	381	369	-	-	-	482	381	369
Commercial	102	-	-	6,189	-	-	2,653	2,164	2,468	8,944	2,164	2,468
Total	552	324	313	32,195	26,060	25,769	2,653	2,164	2,468	35,400	28,548	28,550

¹ For the Refining business unit, about 80% of raw materials are reported, in so far as the report includes both tonnes of processed crudes and quantity of substances from renewable sources used in processing.

² For the Chemicals business unit, figures comprise the main tonnage of raw materials for processing. The volume of chemicals is not reported.

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We also control the destination and the management of the packaging of our products, working on this with authorised waste managers, in order to minimise the impact that may arise from the end of

life cycle of our products. Below are the details of the packaging used for the domestic market that have been recovered through the Integrated Management System which we became part of in 2017:

Type of products and materials of reused packaging	Reused tonnage		
	2017	2016	2015
Lubricant Oils	31,186	34,090	35,642
Amount of recovered packaging of lubricant oils	438	492	550
<i>Total</i>	<i>31,624</i>	<i>34,581</i>	<i>36,192</i>

Meanwhile, we also monitor the recycled hydrocarbons originating from the management of MARPOL waste at our refineries equipped for this. In 2017, 63,352 tonnes of this type of waste were re-

ceived and managed, with total recycled hydrocarbons in the amount of 2,949 tonnes, representing close to 5% of the managed amount.

Waste Management

Our management systems enable us to treat the waste we generate more efficiently by applying regulatory principles.

We thus reduce consumption and waste production while mitigating environmental impact.

Amount of managed waste (tonnes)	2017	2016 ¹	2015 ¹
Hazardous Waste	41,025.60	36,451.81	48,765.98
Non-Hazardous Waste	21,615.57	15,023.95	17,468.09

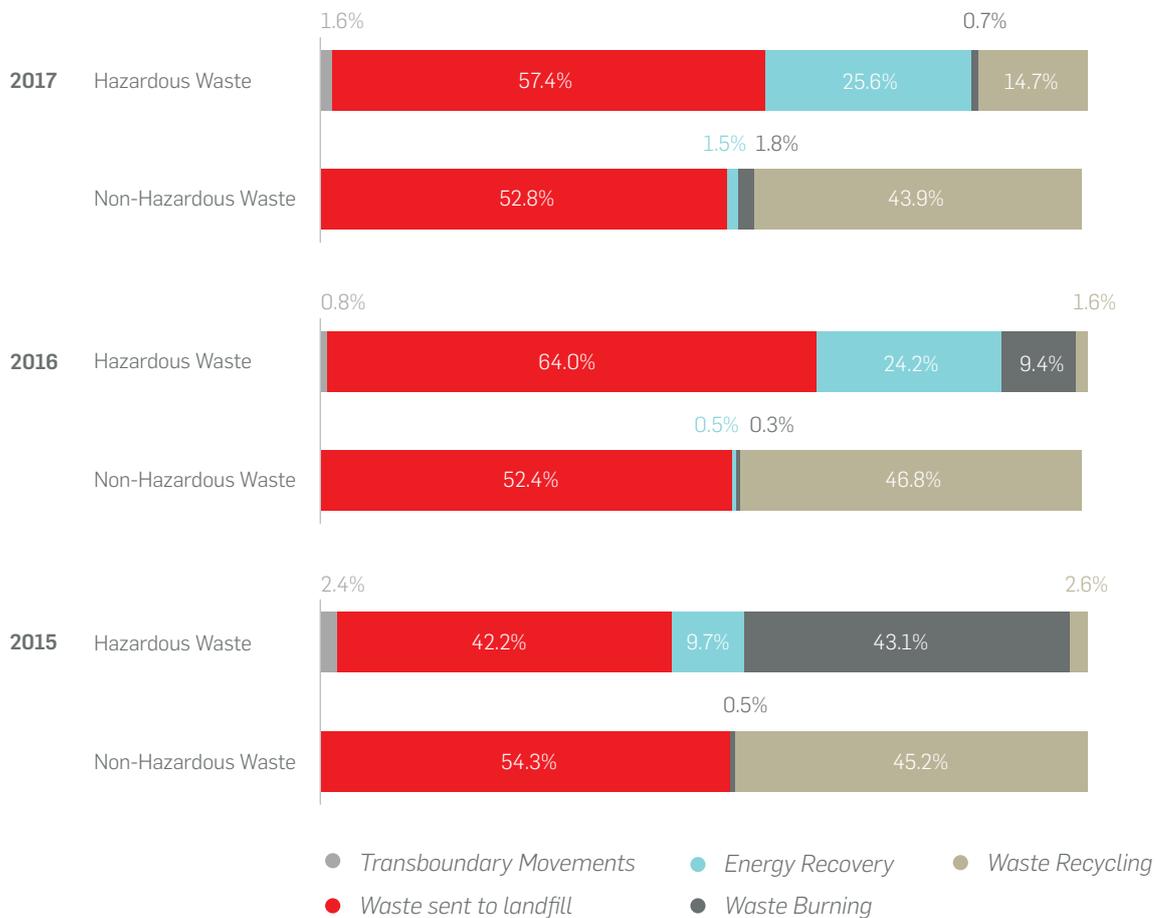
¹ Data for 2016 and 2015 have been recalculated, with drilling mud being reported separately and waste generated in the Exploration and Production business unit being included.

Due to the increase in activity recorded at our plants and to new acquisitions, in 2017 we increased the volume of waste generated, reversing the previous downward trend driven by the lower level of activity of the previous year, especially in the Exploration and Production Unit. We are focusing our efforts on proper waste management, so that we

can mitigate the impact it may have on the environment in which we operate. The waste we generate is delivered to authorised waste managers for proper environmental treatment, with priority going to those who re-use this waste, either through recycling or as a source of energy use.



The different treatments of hazardous waste in 2017 are as follows:



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Drilling waste

The Exploration and Production Unit generates drilling waste in its activities. This waste is managed in a specific way depending on its water content, providing

the treatment or destination best suited to its characteristics and facilitating more adequate management.

AMOUNT OF DRILLING WASTE BY TYPE OF TREATMENT (Tonnes)

	Treatment/Destination	2017	2016	2015
Non-water based waste	<i>Treatment for offshore disposal</i>	202	0	0
	Thermal desorption	4,867	13,216	0
	Inerting	742	23,239	12,874
	Incineration	0	2,880	0
Water-based waste	Inerting	36	0	0
	Onshore disposal in controlled areas	7,464	8,813	21,525
	Reuse	11,749	0	0
	Incineration	2	0	0
Total		25,061	48,148	34,399



PROTECTION OF ECOSYSTEMS AND BIODIVERSITY

It is a key concern for us at Cepsa to protect biodiversity and minimise the impact of our activities. We therefore choose to go beyond regulatory requirements and undertake actions and projects to improve our ecosystem performance still further.

We have a system for evaluating the environmental impact and risks associated with both new projects and changes in existing activities, in order to react to mitigate and help to recover and improve biodiversity in our environment, with 100% of our centres conducting biodiversity risk assessments. We also work closely with scientific institutions, non-governmental organisations, authorities and local communities in the implementation of different research projects, as well as restoration and conservation of habitats and recovery of ecosystems.

Projects such as the Laguna Primera de Palos and the Madre Vieja Environmental Station, funded by the Cepsa Foundation, are two examples of our company's commitment to the conservation and improvement of nature, as well as education and environmental awareness of employees and society as a whole. Due to the proximity to Cepsa's production plants, they are also an example of coexistence between industry and preservation and promotion of biodiversity, especially given the richness of flora, fauna and habitats that flourish in these spaces.

In addition to these initiatives, in 2017 reforestation projects were conducted in Colombia and an agreement signed to promote conservation projects in the area of influence site in Peru.

Species as classified on the IUCN Red List*	NT	VU	EN	CR
<i>Total</i>	<i>66</i>	<i>59</i>	<i>26</i>	<i>8</i>

* International Union for Conservation of Nature. NT (Near Threatened), VU (Vulnerable), EN (Endangered), CR (Critically Endangered).

FIND OUT MORE ABOUT ECOSYSTEM PROTECTION



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PROTECTION OF THE MARINE ENVIRONMENT

“We have a marine protection system based on preventing contamination, early detection and the best control techniques and cleaning of any accidental spills.”

The raw materials we use, as well as their intermediate and finished products, have a main entry and exit channel to and from our facilities: the sea. Refinery marine terminals used for loading and unloading, maritime facilities, Exploration and Production activities, fuel supply manoeuvres at the ports and anchorages and other operations conducted in this environment represent a very significant annual number of transfers by sea, with the consequent risk to the marine environment.

To this end, we have a marine environment protection strategy, based on pollution prevention, early detection and

availability of the best control techniques and clean-up operations of accidental spillage. Part of this strategy is made up of the strict inspection and maintenance plans of our facilities, as well as the training of personnel through practical exercises and various levels of simulations. By way of example, in 2017 a large general simulation of the fight against marine pollution was carried out at the maritime terminal of the Gibraltar-San Roque Refinery, highlighting the reaction capacity and resources available for such an event.

At an international level, the Exploration & Production facilities also have an exhaustive spill preparation plan that,



throughout 2017, thanks to a project to review the capabilities and preparedness for this type of emergency, focused on the review and updating of response plans, development of training and drills, replacement and acquisition of new equipment and signing of cooperation agreements, has allowed greater efficiency and spill response capacity.

Furthermore, throughout 2017, research and development efforts continued into

technologies that would enable a faster and more effective spill response. The NETCON project, in which a network for the early detection of contaminants by fibre optic is being developed in collaboration with leading research organisations, is one such project. The fully operative pilot is planned for 2018 at the Gibraltar-San Roque Refinery.

SOIL PROTECTION

Prevention is one of our main actions to protect soil and groundwater that may be affected by our activities. To this end, we design safe facilities and inspection and maintenance programmes to avoid emitting pollutant substances into the envi-

ronment in which we operate. We work to have early warning mechanisms and internal control procedures in place, to detect any such leakage as soon as possible, in order to take appropriate actions to prevent contamination.



5.5 CUSTOMER SERVICE

Our customers' satisfaction with our services and products is fundamental to our business strategy. All of us at Cepsa are committed to excellence and to meeting our customers' needs. We strive every day

to achieve the highest standards of compliance with regulations and the best international practices to enhance the value of our products and services.

LEADERSHIP IN THE SECTOR

- We are the world's leading producer of linear alkylbenzene (LAB), a raw material for manufacturing biodegradable detergents, at our plants in Canada, Brazil and Spain.
- The only LAB producer in the world to attain an EPD Environmental Product Declaration.*
- We are a leading producer of Cumene.
- World's second largest producers of phenol and acetone, a highlight being our plants in China and Spain.

COMMUNICATION WITH OUR CUSTOMERS

At Cepsa we believe communication with our customers is a mainstay of our business. We work constantly to elicit cus-

tomers' opinions and meet their expectations by means of several channels:



Conventional channels:

Telephone, fax, post, e-mail, Whatsapp and social media.



Customer service at points of sale:

Cepsa employees who work at points of sale are trained specifically for face-to-face dealings with customers.



IMAS system:

Customers can rate the standard of service quality they receive at any of our Service Stations.

In addition to these communication channels, we have other customer-oriented activities in progress so as to continue to

enhance our relationship and offer innovative services to an excellent standard.

* Source: DNV, verification company of this certification.



Loyalty programmes:

Thanks to the *Porque TÚ Vuelves* programme, loyal customers get additional perks, such as discount points when making purchases for home delivery or on our online shop.



Mobile apps:

Consumers can save time and trouble by using Cepsa Pay to pay for petrol from their mobile phones.

In 2017 we introduced our Customer Support model, which is designed to improve customer satisfaction through a new way of managing contacts, answering queries and troubleshooting. In addition, our Customer Experience project enabled us to set in motion actions to improve customer relationship processes across our business areas by getting to know about their experience at key points of each provided service that affects their overall satisfaction.

tomers' upcoming needs and continuing to improve our products and services accordingly. We have already set up our new marketing website, which provides a better fit with customers' expectations by providing an interface that enables them to carry out transactions easily and conveniently. We have also revamped our Service Now system, which lets us speed up and deal systematically with all safety queries by implementing improvements in response to detected needs.

Looking to the future, we shall continue to move forward by anticipating our cus-

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QUALITY, SATISFACTION AND SUSTAINABILITY

We regard quality as a key factor for success. Developing, manufacturing and marketing increasingly complex products and services calls for a proactive focus on quality.

To provide efficient management and control of the Quality System, we have accordingly developed a Quality Management System based on the ISO 9000 family of standards. Implementation of the system in our businesses is regularly measured by certification audits.

In 2017, we reaffirmed our commitment to quality by renewing our certificates. We are one of the first Spanish energy companies to certify its Quality Management Systems to the new ISO standards published in 2015 (ISO 9001:2015), one year ahead of deadline.

All of us at Cepsa are committed to the quality of our products and services. We strive to improve every day by complying with regulations and international standards and by adapting to our customers' current and future needs.

Our vision is to be recognised as leaders in the quality of our products and services, based on our commitment to a culture of compliance and process improvement.

Our commitment to improve is supported by the information we collect from our customers:

- Customer requirements. The quality requirements for Cepsa products and services are set by our customers, with whom we work closely to understand and meet their current expectations and to anticipate and respond to their future needs.
- Customer satisfaction. We have a range of systems in place to assess our customers' experience and improve each business area, including external and internal customer surveys, audits, organisational self-assessments, performance metrics and statistical tools.



One of the tools we use to explore our customers' experience is satisfaction surveys, which enable us to identify the key aspects and points for improvement in our products and services and thus raise

the quality we offer the market. We conduct surveys over five-year cycles across all BC businesses, the period starting in 2016 now having closed:

CUSTOMER SATISFACTION
(2016-2017 PERIOD)



In 2017, there were two main milestones in product sustainability. First, we successfully sought certification from the Roundtable on Sustainable Palm Oil (RSPO), which ensures that palm oil used to manufacture chemicals at our plants in Germany and Indonesia comes from responsibly managed sources, thus completing a responsible supply chain for this commodity. Secondly, our bio-fuel sustainability management system for the Refining and Trading and Bunker businesses was certified to the ISCC and RBSA standards, thus enabling us to market biofuels.

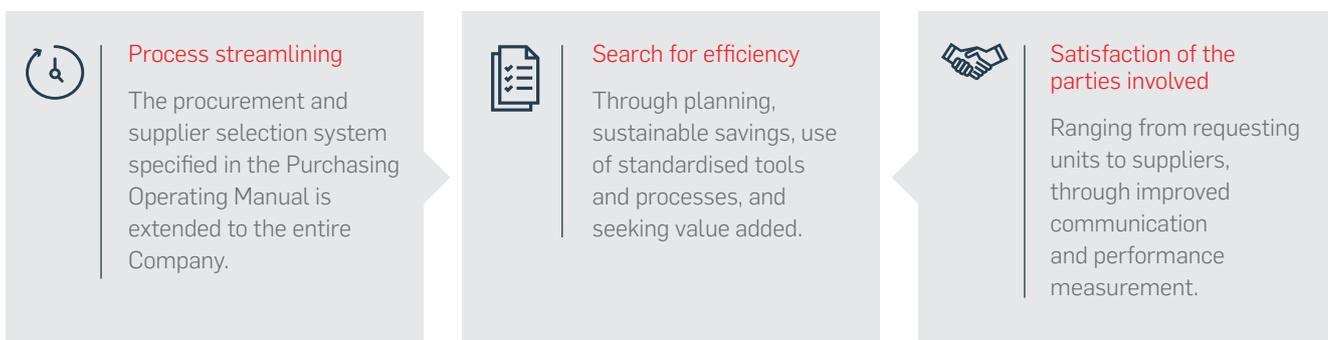
Moreover, in line with our sustainability actions in our services and product manufacturing, we achieved a reduction in energy requirements. We operate with asphalt binders at low temperatures, which means a 26% reduction in fuel consumption and therefore in emissions generated by this activity. Moreover, additives in our Óptima range of fuels – both petrol and diesel – bring considerable savings in consumption and clean out the engine, hence likewise using emissions.

5.6 RESPONSIBLE SUPPLY CHAIN

AN INNOVATIVE MODEL

Our supply chain is guided by an innovative centralised model, on the basis that the purchasing function must be a strategic area within the Company's decision-making process. This function is carried out in a coordinated way by the Purchasing De-

partment using a system that is centralised by categories and specialized fields so as to meet the procurement needs of the entire Company effectively and efficiently. Purchasing management at Cepsa is based on three fundamental factors:



Our purchasing model is managed by category managers who handle Group purchases for the different business units so as to work closely with both upstream and

downstream businesses in the value chain for oil and gas, while gaining in-depth specific knowledge of each category, divided into the following specialized fields:

- Marketing and Cross-Cutting Services
- Insurance
- Engineering
- Logistics
- Exploration and Production
- Manufacturing and Technology

The system enables us to enhance our procurement strategy, boost our efficiency and sustainability, and create value for our suppliers.



* Figure relates to purchases made by the Purchasing and Contracts business unit. Does not include purchases of crude oil or other raw materials.

ETHICS CODE FOR SUPPLIERS

To standardise the contract templates we use in purchasing management to ensure that Cepsa's standard requirements are uniform across the Company's geographies and businesses, in 2017 we reviewed and standardised new contract templates for supplies and services.

All contracts include an ethics clause on the Company's requirements as to suppliers' ethics and conduct, so as to hold suppliers to the standards of Corporate Responsibility. Standardisation enables us to supervise suppliers' compliance with contractual obligations to uniform standards known to all parties, thus enhancing our transparency. By applying the standards uniformly across the organisation we extend the same supplier engagement system under common generally applicable criteria, and so securing our suppliers' acceptance of and compliance with our Code of Ethics and Conduct.

The Code of Ethics for Suppliers sets out our commitment to the principles of the United Nations Global Compact, and is applicable to all operations in every country in which we operate. To ensure compliance with the Code of Ethics for Suppliers, we have in place a channel for reporting incidents and irregularities that may be accessed from the supplier portal on our website, where our suppliers may report any behaviour that violates the Code of Ethics during the commercial relationship.

One of our steps in 2017 in managing our supply chain was the launch of the 2017

Purchasing Innovation Plan. A highlight initiative under this scheme was the creation of the Innovation Observatory with Suppliers, #CepsaObservalnova. The new Plan is designed to support the emergence of a culture of innovation in the Purchasing area so that we can position ourselves at the forefront of the creation of Industry 4.0: extending our strategic reach to blockchain, virtual and augmented reality, and additive manufacturing in the form of 3D printing, among other domains.

We also implemented improvements to our supply chain management internally: for instance, we set in motion our Market Intelligence Project. The project aims to improve internal communications by providing the entire Purchasing team with an environment allowing for prompt and centralised access to detailed information and tools about markets, suppliers, indices and geographical information. Internal information about our business units is also available to bolster and enhance our strategic vision and know-how both externally and internally.

These steps, coupled with the experience that comes with our leading position in the industry, will help us remain at the forefront of value chain management through a process of ongoing improvement that we sustain every day at Cepsa to adapt to and anticipate new scenarios that will emerge in the future.



FOR FURTHER INFORMATION ABOUT THE CODE
OF ETHICS FOR SUPPLIERS, CLICK HERE

FOR FURTHER INFORMATION ON CONTRACT
TERMS, CLICK HERE

CHAPTER 5

Cepsa in 2017



OUR SUPPLY CHAIN

At Cepsa we manage our suppliers based on a standardised procedure that enables us to apply uniform procurement criteria and requirements to achieve the highest levels of quality, transparency and ethics in our value chain, while minimising the related risks.

To reinforce our risk control, in 2017 we created our Supplier Risk Map. The map provides us with a picture of our supply chain that identifies the risks surrounding each supplier. In turn, this enables us to report on risks to the Corporate Risk Unit and the entire Company. Our methodology assigns different risk levels to suppliers on the basis of a range of factors, such as location, operational criticality, health and safety, corporate responsibility and sustainability positioning, and economic risk, among other matters. This year we analysed close to 3,000 suppliers using this methodology. No supplier was de-

tected as involving a high or very high risk for Cepsa.

Having analysed supplier risk, we then segment our suppliers in accordance with criteria of economic risk and criticality of their supplies and services. Segmentation is intended to classify the various types of suppliers who work with us so that we can take specific improvement and development actions in each segment. Suppliers in Segment V are outside the scope of purchasing management insofar as their annual contract value is less than €5,000.

In 2018, we shall start up a project to streamline and speed up purchasing management for this type of supplier by optimising our tail-end spend and implementing a marketplace with purchasing guides to make the process easier for all departments involved.

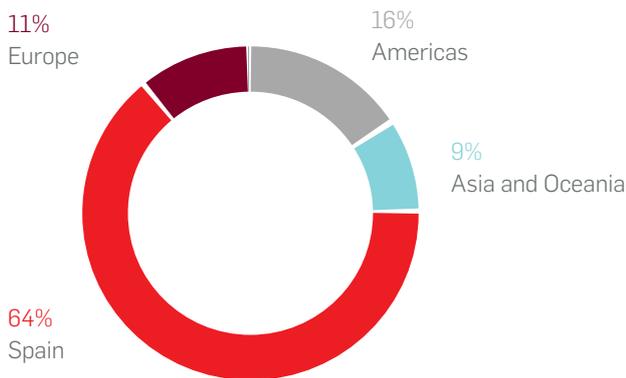
Segment	No. of suppliers	% Suppliers	% Expense
Segment I	108	2.25	57.56
Segment II	216	4.51	22.97
Segment III	380	7.93	11.28
Segment IV	2,267	47.32	7.95
Segment V	1,820	37.99	0.25

The reported information refers to purchases made by the Purchasing and Contracting unit, excluding purchases of crude oil and other raw materials.

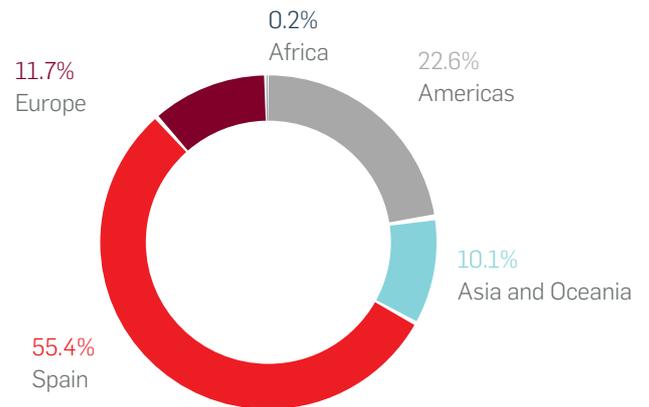
80% of our procurement is for services, while the rest is mainly accounted for by goods and equipment. We rigorously control current contracts and subcontracting authorisations to ensure that

the businesses we work with are compliant with all their legal obligations and our health and safety and environmental requirements.

CONTRACT VALUE BY GEOGRAPHICAL AREA ^{1, 3, 4, 5, 6}



NO. OF SUPPLIERS BY GEOGRAPHICAL AREA ^{1, 2, 3, 4, 5, 6}



¹ Europe includes: Austria, Belgium, Denmark, France, Germany, Ireland, Italy, Luxembourg, Netherlands, Norway, Poland, Portugal, United Kingdom and Switzerland.
² Africa includes: Kenya, Morocco and Nigeria.
³ Americas includes: Argentina, Brazil, Canada, Colombia, United States, Panama and Peru.
⁴ Asia and Oceania includes: Australia, Bahrain, China, United Arab Emirates, India, Japan, Malaysia, New Zealand, Singapore and Thailand.
⁵ Segment V suppliers are excluded (outside the scope of purchasing management).
⁶ The reported information refers to purchases made by the Purchasing and Contracting Department, excluding purchases of crude oil and other raw materials.

Most of our suppliers are domestic, i.e., domiciled in the same country as the Cepsa company that contracts them. We encourage our companies in each of the geographies where we operate to engage local or locally based suppliers. Localising procurement makes it easier for us to control risks in each country. No supplier has been detected that involves very high risk by reason of location.

By working with local suppliers, we create value for our host communities, by enhancing their capabilities and contributing to local economic development. In 2017, about 87% of our procurement came from domestic suppliers at locations where we have significant operations, with more than 42% of the value being awarded to local or locally based

suppliers, who in turn accounted for over 30% of all our suppliers.

In Spain, where we carry out a significant portion of our business, 55% of our suppliers are domestic, and together account for 64% of expenditure managed by Purchasing. Over 50% of procurement is awarded to local or locally based suppliers in the areas where our activities are located (Site Palos, Site San Roque and Site Tenerife).

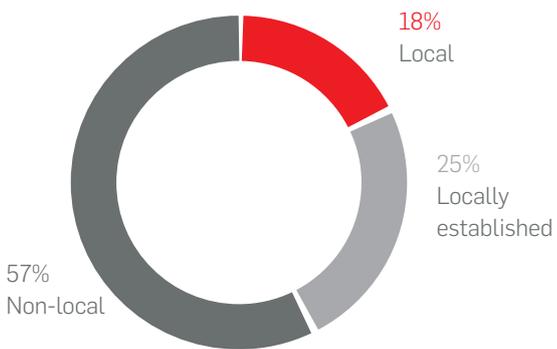
Our internationalisation has prompted us to carry over this commitment to local development to the rest of countries where we operate, and we have risen to the challenge of creating specific development plans for each geographical region.

CHAPTER 5

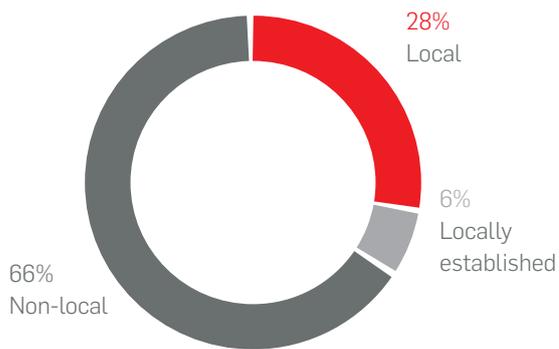
Cepsa in 2017

SUPPLIER TYPE BY GEOGRAPHICAL SCOPE

Contract value by location ^{1,2}



No. of suppliers by location ^{1,2}



GLOBAL
28%
 LOCAL
 SUPPLIERS ^{1,2}



SPAIN
50%
 LOCAL
 SUPPLIERS ^{1,2}

¹ Segment V suppliers are excluded (outside the scope of purchasing management).

² The reported information refers to purchases made by the Purchasing and Contracting Department, excluding purchases of crude oil and other raw materials.

Another commitment in 2017 was to create plans to encourage local procurement. We carried out a process to identify and assess candidate local suppliers, looking to the impact of local procurement on the Company, so as to identify contracts that could be managed locally.

As one such plans, in Colombia we implemented a specific programme to reinforce local suppliers in one of the areas where we operate. We conducted research on

local enterprises to assess their maturity and ability to supply goods and services. By doing this we identified supplies and services that could be contracted locally, and created a methodology that can be extended to other locations. Thanks to this programme, 55 local business people in the Caracara (Colombia) area trained and graduated. In 2017, the project was extended to the Casanare area in Colombia, and has also been replicated in Peru.

ASSESSMENT AND AUDITING OF SUPPLIERS

To ensure compliance with our standards and thus anticipate and mitigate risks in the supply chain, we have developed a risk

control system based mainly on assessment and monitoring of our suppliers.



SUPPLIERS DEVELOPMENT AND STRATEGIC ALLIANCES



The process begins with supplier registration and approval and is implemented entirely via our C2S purchasing platform to assure transparency and ethical conduct throughout. At this first stage of the process, we check that our suppliers are compliant with a range of selection criteria to ensure we can create a supply chain that fulfils the highest standards of quality, respect for the environment, corporate responsibility, human rights, occupational risk prevention and financial stability, among other factors. This year we implemented more than 6,300 purchasing processes on our platform, embracing both new and previously approved suppliers.

Following this we regularly assess our suppliers' performance, independently of process stage. Such assessment looks at quality, execution, safety (especially for contractors working at our facilities), environmental and energy efficiency performance, innovation, ethical conduct, regulatory compliance, and fulfilment of requested technical specifications.

In 2017, we conducted more than 3,000 assessments on over 1,200 of our suppliers, supplemented by an exhaustive international programme of audits to maximise control over our supply chain. Our supplier auditing plan was carried out with three aims in mind:

- Identify supplier non-compliance with regards to Cespa's standards in Environment, Health and Safety, Quality, Corporate Responsibility and more in order to establish the right measures.
- To minimise risks in the supply chain by ensuring that procurement is awarded to suppliers who are compliant with Cespa standards.
- To improve the performance of suppliers of goods and services to Cespa.

Audits are conducted on site for a period of two days. Following a protocol, we review matters relating to quality, health and safety, the environment, financial management, human resources and corporate responsibility.

CHAPTER 5

Cepsa in 2017

This year, we conducted 67 audits of suppliers in all geographies where we operate.

In the framework of the risk control system we also examined environmental and community issues to detect any high-risk impact that might affect the Company. No supplier was detected involving high or very high risk in connection with these matters.

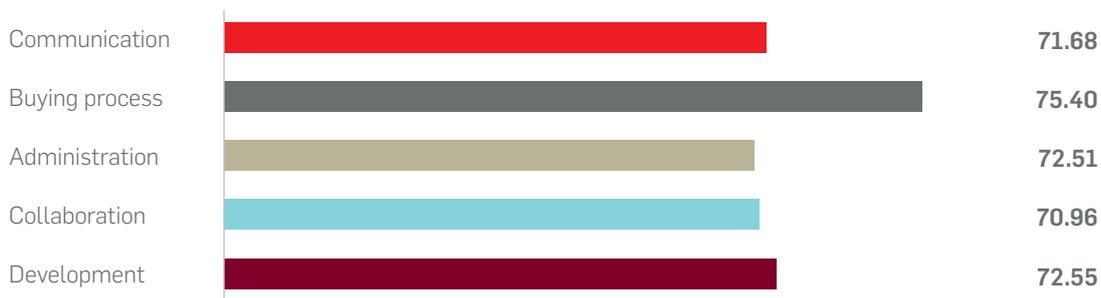
When an assessment is completed, the supplier is notified and given access to the platform to view the assessment report. We communicate to the supplier the areas for improvement that it must deal with so as to continue to be a valid supplier for us, and we acknowledge any good practices.

We work towards reinforcing communication with suppliers by responding to their queries about the Company and the processes in which they are involved, and by consulting them for their opinion about their relationship with Cepsa. We thus achieve fluid communications that support a business relationship of trust on the basis of ongoing improvement of our combined performance.

In 2017, we sent satisfaction survey questionnaires to suppliers across all Cepsa areas with whom we had interacted over the year. The response rate was 63%, and the average score was 72.62.

We sought opinions on the following points:

SEGMENTS CONSULTED



AVERAGE SCORE: 72.62

One of the issues that changed the most with respect to 2016 was Administration, due to the improvements made in 2017 to our administrative management. This shows that we take survey results seriously and take appropriate action to improve perceptions.

Finally, at Site San Roque we held a Supplier Day for suppliers who regularly sup-

ply goods and services in the area. This clearly demonstrates our commitment to keep our suppliers suitably informed about the Company's strategy and current position, while encouraging communication and dialogue as the keys to work in tandem, with a global outlook and seeking value added for both parties.



5.7 COMMUNITY WELFARE

RELATIONSHIP WITH COMMUNITIES

We strive to sustain responsible and transparent relations to create value in our host communities, as one of the cornerstones of the planning and implementation of our activities. Our Community Relations policy enables us to design

mechanisms for integration with local communities, with an approach tailored to each specific environment. This means we can achieve economic, social and environmental development as a partnership and confer mutual benefits.

Identification of impacts and opportunities

We are aware of the importance of creating and sustaining value in our environment. This is why we integrate the information and key points identified by our Integrated Risk Management System with our decision-making process. This approach enables us to manage these issues at the highest level, going beyond minimum regulatory compliance in each geography and analysing the impact and opportunities arising from our projects and operations, so that we can design and implement action plans that prevent or mitigate adverse impacts and maximise positive effects.

Specifically, wherever community perceptions are relevant to our operations, such as in our Exploration and Production business, all our assets are equipped with community and environmental impact measurement systems so that we can design and implement specific action plans tailored to each case.

In 2017, we started to create community risk maps under a new approach in line with our Local Community Relations Policy, within the framework of the Inte-

grated Risk Management System. Specifically, we carried out a pilot project for our Exploration and Production asset in Caracara, Colombia. The outcomes will help us get it right when allocating resources and prioritising actions based on risk level. In 2018, as envisaged in the Corporate Responsibility Master Plan, we want to extend this type of analysis to other Exploration and Production assets where the community issue is relevant, such as Ucayali (Perú) and Casanare (Colombia). These early projects will help us design a common approach for the entire Company so as to transfer these methods to all activities where community relations are relevant.

Finally, we highlight that in the course of 2017 we have not received any formal notification of significant adverse impacts arising from our operations from government authorities or from local communities. Moreover, we have not undertaken any new operations in territories where indigenous communities have a presence, and no risks or breaches have been detected as to indigenous communities' rights.

Communication channels

We have in place two-way communication channels aligned to the nature of the activities we carry out and the features of the local community so that we can elicit their expectations about Cepsa.

Firstly, whenever we start a new activity or make significant changes to existing ones – and as a general principle – we keep the communities in our areas of influence informed by running workshops and consultation rounds, which often go beyond legal requirements.

In addition, our activities are coupled with communication channels for us to receive, consider and provide structured and transparent responses to claims, complaints, queries and proposals. We use electronic and physical mailboxes, and direct communication through our community relations teams.

By way of example, we have set up committees of neighbouring residents at our industrial facilities. Through direct relations with local authorities and the community, the committees handle the dialogue among the various parties, thus enhancing their understanding of the Company's strategies and improving the community's perception of us. Furthermore, as an exercise in transparency, committee meetings and complaint procedures and recording systems are audited by an independent third party. In 2017, the committee at San Roque completed its 10th year of existence. This is a good example of the sustainable relations over time that Cepsa wants to create with local communities.

SOCIAL ACTION

One of the goals of our Social Action Policy is to create value and deliver on our commitment to support the development of our host communities. We structure

our community action initiatives into five realms of action, so that we can adapt and meet needs as they emerge:



COMMUNITY SUPPORT

Generate a positive impact on those collectives most in need.



CULTURAL

Encourage literary and artistic development, and preserve popular traditions and historic heritage.



SCIENTIFIC/EDUCATIONAL

Support research and innovation in the energy and industrial sectors and reinforce education and employability.



ENVIRONMENTAL

Support activities that bring the community closer to nature and undertake projects for the recovery of natural spaces and biodiversity.



SPORTS

Support youth sports and the organisation of a range of sports disciplines for the community.



We identify and reinforce the beneficial effects and shared values we hope to contribute to society and prioritise initiatives that help meet existing needs.

We articulate the commitment we have undertaken with communities and their

development through the Fundación Cepsa*, a non-profit in the public interest that has completed its first year of activity in Spain, Portugal, Colombia, Peru, Brazil and Canada.

SOCIAL ACTION EXPENDITURE BY SPHERE OF ACTION (EUROS)

	2017
Community support	3,224,315
Cultural	325,382
Environmental	319,509
Scientific/educational	491,960
Sports	147,477
Total	4,508,644



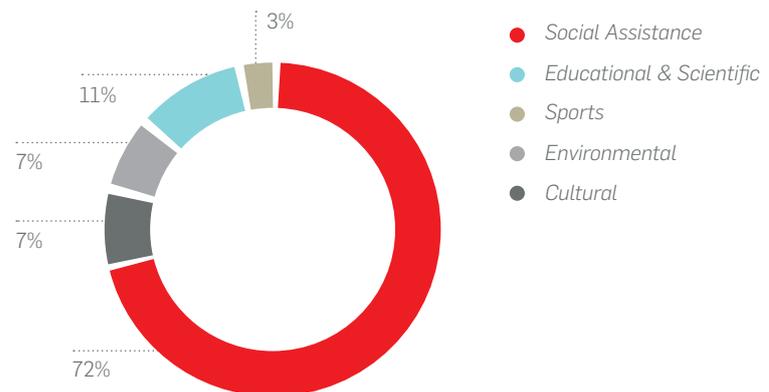
- 
261
 Actions taken
- 
304
 Our partner entities
- 
+130.000
 Direct beneficiaries



+ 500.000

indirect beneficiaries

SOCIAL INVESTMENT BY AREA

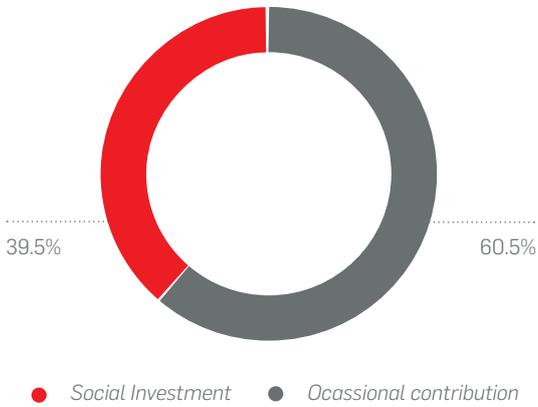


* More information at: www.fundacioncepsa.com

CHAPTER 5

Cepsa in 2017

SOCIAL INVESTMENT BY AREA

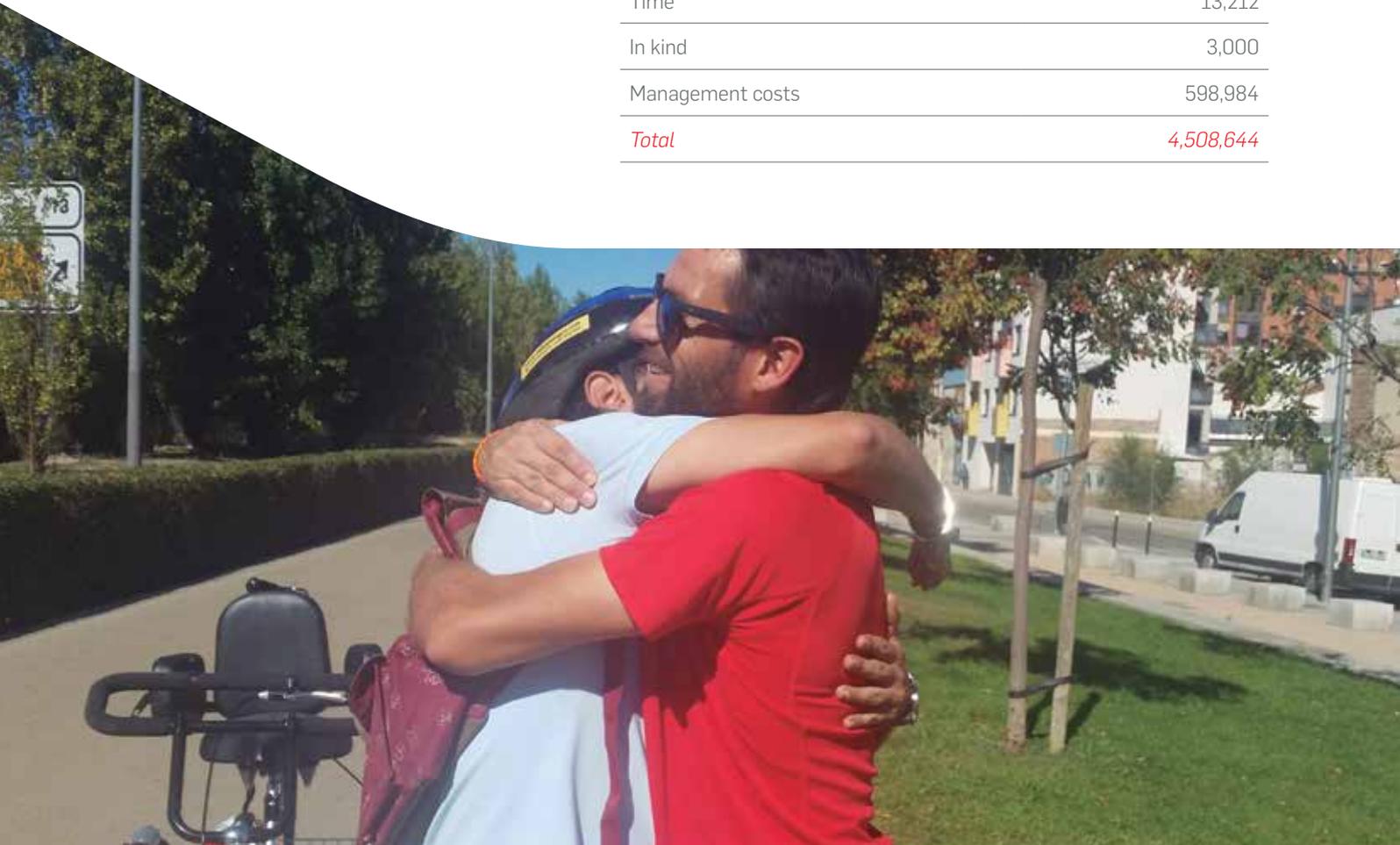


SOCIAL ACTION EXPENDITURE BY COUNTRY (EUROS)

	2017
Brazil	126,461
Canada	9,700
Colombia	1,422,131
Spain	1,506,128
Peru	352,177
Portugal	30,201
United Kingdom (Gibraltar)	10,966
Thailand	1,050,880
Total	4,508,644

SOCIAL ACTION EXPENDITURE BY CONTRIBUTION TYPE (EUROS)

	2017
Money	3,893,447
Time	13,212
In kind	3,000
Management costs	598,984
Total	4,508,644



Volunteering

At Cepsa we believe we must deliver on our commitment to wider society in a way that goes beyond creating wealth and jobs. Through Voluntas, a corporate volunteering programme managed by the Cepsa Foundation, our employees and their families join Cepsa's community

challenge by becoming involved in volunteering initiatives. This helps us align their concern to contribute to society with our own community goals, and shows that we are all determined to have a positive impact on the community through our initiatives and activities.

Social Value Awards



Through the Cepsa Foundation, again this year we staged the Social Value Awards. In 2017, we awarded a total of 38 prizes to nominee projects undertaken in Campo de Gibraltar, Comunidad Canaria, Comunidad de Madrid, Huelva province, Portugal, Co-

lombia and Brazil. These accolades are intended to recognise and support community initiatives for the inclusion and welfare of underprivileged groups and people, and to nurture community values among the Company's employees.



INITIATIVES BY COUNTRY



BRAZIL

Our initiatives are chiefly aimed to support community development and environmental protection. Initiatives such as the Environmental Education Programme to promote the conservation and restoration of natural heritage and biodiversity, or the celebration of World Water Day, which show that the development of local communities must go hand in hand with the stewardship and defence of the environment.



CANADA

Highlights of our community initiatives in 2017 included our partnership with United Way of America to fund projects aimed at underprivileged groups, and our support for the Québec Breast Cancer Foundation.



COLOMBIA

We undertook a farming development project for the population in the area of influence of our Caracara, with a focus on aiding families in need. The beneficiaries have now been able to return to their local farms, improve their income and reduce their dependence on the oil industry.



SPAIN

At our Group headquarters in Madrid and our sites at San Roque, Palos and Canarias we are equally committed to local communities, setting in motion and supporting initiatives within our respective spheres of action. A highlight in 2017 was our support for Energy Campus, a training programme aimed at secondary school pupils that takes an educational approach to the world of oil, energy and the environment. Another standout was the range of projects for biodiversity conservation and improvement of the natural space at Laguna Primera de Palos (Huelva), in partnership with the regional department of environment and land planning of Andalusia. We also undertook a project to research, raise awareness of and restore the archaeological site of the Roman settlement of Carteia (San Roque, Cadiz). In the Canary Islands, we partnered with the Fundación Santa Cruz Sostenible to carry out an environmental action plan to encourage local residents' involvement with the natural spaces closest to them, among other initiatives. In addition, we continue to support Cepsa Foundation professorships at the Universities of Huelva and Cadiz, the Industrial Engineering Faculty at Seville, and the Mining Engineering Faculty at Madrid.



THAILAND

We support the construction and start-up of a community learning centre at Kradangnga to add value to organic farming, lower operating costs, preserve soil fertility and assure production and consumption safety.

We also provided educational opportunities to students from vulnerable families by funding their secondary school studies through to graduation and opening up options for them to read for degrees at Prince of Songkla University.



PERU

We continue to provide aid by improving common infrastructure and the road network, and organising sports activities in the Los Ángeles (Ucayali) area.



PORTUGAL

We partnered with the Figueiró dos Vinos Volunteer Firefighter Humanitarian Association to support victims of the major forest fires that took place in the summer by helping to rebuild one of the affected houses.



INVOLVEMENT IN INITIATIVES AND ASSOCIATION MEMBERSHIPS

In Spain, we adhere to the Code of Best Taxation Practices approved on July 20, 2010 by the Forum for Large Companies established on July 10, 2009 by the State Tax Authority.

and community-oriented business associations as part of our commitment to responsible management and sustainable development. Our presence in these initiatives enables us to apply best practices and improve our performance.

Cepsa takes part in a range of global initiatives and economic, environmental



We also play an active role in industry associations and influence groups domestically and internationally. These bodies are aligned with our strategy and business goals. We advocate for our in-

terests as a company and work towards the development of our businesses. We list below the main bodies and associations we are involved with:



CHAPTER 6

APPENDICES



CEPSA TOWER.
PASEO DE LA CASTELLANA
259A, 28046. MADRID

91 337 60 00 /
WWW.CEPSA.COM

GIVE US YOUR OPINION
OR SUGGESTIONS.

FOR ANY ADDITIONAL INFORMATION ABOUT THIS
REPORT YOU CAN CONTACT US DIRECTLY THROUGH
THE FOLLOWING ADDRESS:

RESPONSABILIDAD.CORPORATIVA@CEPSA.COM.

ABOUT THIS REPORT

POLICIES AND STANDARDS

This Annual Corporate Responsibility Report 2017 aims to deliver on our commitment of transparency, covering aspects relating to the performance of our businesses, our corporate strategy and the management of the economic, environmental and social impacts generated by our activities, according to our stakeholders' information needs that we have identified.

Since 2010, we have been adding information on sustainability alongside our financial and strategic reporting. We have followed the recommendations of recognised standards to do so, such as the International Integrated Reporting Framework (<IR>) developed by the International Integrated Reporting Council (IIRC) and the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI).

In 2017, we have adapted our report to the requirements of the GRI standard as set out in the *GRI Standards*¹ at a Core level,

including the requirements for additional information for the Oil&Gas Sector.

We have used this reference standard to determine the content that must be included in the report (participation of Stakeholders, sustainability context, materiality, exhaustiveness), as well as to ensure the quality of that information (accuracy, balance, clarity, comparability, reliability and timeliness).

We also follow the Principles of the Global Compact and include information regarding the actions we implement at Cepsa that contribute to attaining the Sustainable Development Objectives.

We are immersed in a process of continuous improvement, working on a daily basis to adapt the information related to the most relevant aspects in order to respond to the demands of our Stakeholders. In this respect, this Annual Corporate Responsibility Report has been approved by the Management Committee.

SCOPE OF THE INFORMATION

The Annual Corporate Responsibility Report 2017 includes consolidated information from the whole Company regarding financial, environmental and social aspects derived from the performance of the activities that we conduct throughout the oil, gas and energy value chain, and additional information that facilitates the understanding of the performance results and its evolution.

Where the data present a different scope from that indicated above, the new scope is specified in the chapter itself or in the GRI table, which is available on our corporate website. Moreover, to improve comparability, the report includes quantitative data from previous years that may have been recalculated, and this is expressly stated in the report.

Note: ***The Consolidated Financial Statements of Compañía Española de Petróleos, S.A. (Sole Shareholder Company) and subsidiaries are filed at the Madrid Mercantile Register.***

¹ Available on the website.

CHAPTER 6

Appendices

ECONOMIC, FINANCIAL INFORMATION

CONSOLIDATED BALANCE SHEET

At 31 December 2017 and 2016 Compañía Española de Petróleos, S.A.U and Subsidiaries (Consolidated Group)

Thousands of euros

Assets	2017	2016 (Restated)*
Non-current assets		
Intangible assets (Note 8)		
Intangible assets and rights	4,216,500	4,455,063
Amortizations charge and Impairment losses	(3,610,366)	(3,829,530)
Total Intangible assets	606,134	625,533
Consolidate Goodwill (Note 9)	122,708	249,232
Property, plant and equipment (Note 10)		
Tangible assets and rights	13,632,411	13,837,840
Amortizations charge and Impairment losses	(9,287,702)	(9,386,004)
Total property, plant and equipment	4,344,709	4,451,836
Investments in associates and joint ventures (Note 7)	447,132	427,913
Non-current financial assets (Note 11)	122,042	296,592
Deferred tax assets (Note 25)	761,723	894,815
Total non-current assets	6,404,448	6,945,921
Current assets		
Inventories (Note 13)	1,925,666	1,603,163
Trade and other receivables (Note 14)	2,179,884	1,560,681
Current income tax assets (Note 25)	75,284	155,494
Other current financial assets (Note 11)	205,348	127,890
Other current assets	9,954	15,142
Cash and equivalents (Note 15)	545,637	1,299,733
Total current assets	4,941,773	4,762,103
Total assets	11,346,221	11,708,024

(The accompanying Notes 1 to 34 are an integral part of these Consolidated Statement of Changes in Equity).

* The classification of exploration assets has been modified in order to adapt it to the accounting principles of Mubadala Group. This has required the restatement of financial year 2016 for the purposes of comparison with financial year 2017, giving rise to a transfer between the intangible assets and the tangible assets.

Shareholders equity and liabilities	2017	2016 (Restated)*
Equity (Note 16)		
Shareholders' equity		
Share capital	267,575	267,575
Share premium	338,728	338,728
Revaluation reserve	90,936	90,936
Retained earnings	3,485,672	3,215,633
Profit attributable to equity holders of the parent	742,600	601,832
<i>Interim dividend</i>	<i>(189,978)</i>	<i>(189,978)</i>
Total shareholder's equity	4,735,533	4,324,726
Adjustments for changes in value		
Translation reserve	614,039	828,030
<i>Adjustments for changes in value in hedge operations (Note 16 d)</i>	<i>(434,043)</i>	<i>(580,825)</i>
Total adjustments for changes in value	179,996	247,205
Total equity attributable to shareholders of the parent	4,915,529	4,571,931
Non-controlling interest		
Equity attributed to non-controlling interest (Note 16 f)	94,152	96,338
<i>Profit/Loss attributed to non-controlling interests</i>	<i>16,032</i>	<i>14,683</i>
Total non-controlling interests	110,184	111,021
Total equity	5,025,713	4,682,952
Non-current liabilities		
Bank borrowings (Note 17)	1,628,425	2,415,194
Deferred tax liabilities (Note 25)	296,017	282,584
Capital grants (Note 18)	30,598	37,268
Employee defined benefit liabilities (Note 19)	10,097	10,264
Provisions (Note 20)	515,244	564,720
Other non-current liabilities (Nota 21)	199,965	22,775
Total non-current liabilities	2,680,346	3,332,805
Currents liabilities		
Bank borrowings (Note 17)	639,348	993,345
Trade and other payables (Note 21)	2,973,814	2,683,760
Current income tax liabilities (Note 25)	15,136	3,666
Other current liabilities	11,864	11,496
Total current liabilities	3,640,162	3,692,267
Total equity and liabilities	11,346,221	11,708,024

(The accompanying Notes 1 to 34 are an integral part of these Consolidated Statement of Changes in Equity).

* The classification of exploration assets has been modified in order to adapt it to the accounting principles of Mubadala Group. This has required the restatement of financial year 2016 for the purposes of comparison with financial year 2017, giving rise to a transfer between the intangible assets and the tangible assets.

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS

At 31 December 2017 and 2016 Compañía Española de Petróleos, S.A.U and Subsidiaries (Consolidated Group)

Thousands of euros

	2017	2016
Sales of goods and rendering of services	18,211,611	15,455,171
Excise tax on oil and gas charged on sales	2,605,162	2,493,379
Excise tax on Revenue (Notes 3 r) and 22)	20,816,773	17,948,550
Changes in inventories of finished goods and work in progress	128,160	(151,248)
In-house work on non-current assets (Notes 8 and 10)	35,838	38,574
Procurements	(13,840,261)	(11,566,239)
Other operating income	54,589	76,178
Staff costs (Note 22)	(610,898)	(613,360)
Changes in operating allowance (Notes 13 and 14)	(9,890)	334,112
Other operating expenses		
Excise tax on oil and gas	(2,608,744)	(2,496,204)
Other expenses (Note 22)	(2,010,944)	(1,891,336)
Amortization charge (Notes 8 and 10)	(680,453)	(700,052)
Allocations to profit or loss of grants related to non-financial (Note 22)	30,196	41,094
Impairment and gains or losses on disposals of non-current assets (Note 22)	(274,785)	(81,680)
Operating Profit (loss)	1,029,581	938,389
Share in profit of companies accounted for using the equity method (Note 7)	47,838	(58,597)
Finance income (Note 24)	144,026	84,699
Finance costs (Note 24)	(175,639)	(144,049)
Impairment and gains or losses on disposals of Finance instruments (Note 24)	7,732	(1,339)

	2017	2016
Consolidated profit (loss) before tax	1,053,538	819,103
Income tax (Note 3 q) and 25)	(294,906)	(202,588)
Consolidate profit (loss) for the year from continuing operations	758,632	616,515
Consolidated profit (loss) from the year	758,632	616,515
<i>Attributable to:</i>		
Equity holder of the parent	742,600	601,832
Non-controlling interests	16,032	14,683
<i>Earnings (loss) per share (Note 26):</i>		
Basic	2.78	2.25
Diluted	2.78	2.25

(The accompanying Notes 1 to 34 are an integral part of these Consolidated Statement of Changes in Equity).

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

At 31 December 2017 and 2016 Compañía Española de Petróleos, S.A.U and Subsidiaries (Consolidated Group)

Thousands of euros

	2017	2016
Consolidated profit (loss) for the year	758,632	616,515
Items to be reclassified to profit or loss:		
Earnings and (losses) arising during the year	(47,391)	28,128
Net (losses) gains on cash flow hedges (Note 29)	47,928	(9,284)
Net losses arising on Net Investment hedge (Note 29)	188,186	(49,399)
Exchange gains on translation of foreign operations	(223,065)	72,653
Tax effect (Note 25)	(60,440)	14,158
Reclassification during the year to statement of profit/loss	(28,892)	(25,246)
Cash flow hedges (Note 29)	(38,523)	(34,177)
Share of other comprehensive profit of associates and joint ventures	-	-
Tax effect (Note 25)	9,631	8,932
Other comprehensive income/loss for the year, net of tax	(76,283)	2,882
Total consolidated comprehensive income/loss	682,349	619,397
a) Attributable to equity holders of the Parent	675,391	597,367
b) Attributable to non-controlling interests	6,958	22,030

(The accompanying Notes 1 to 34 are an integral part of these Consolidated Statement of Changes in Equity).

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

At 31 December 2017 and 2016 Compañía Española de Petróleos, S.A.U and Subsidiaries (Consolidated Group)

Thousands of euros

	Equity attributable to equity holders of the parent							Non-Controlling interest	Total
	Share Capital	Share Premium	Retained Earnings	Translation Reserve	Cash Flow Hedge Reserve	Net Investment Hedge Reserve			
Balance at 01.01.2017	267,575	338,728	3,718,423	828,030	(10,376)	(570,449)	111,021	4,682,952	
Consolidated profit or loss for the year	-	-	742,600	-	-	-	16,032	758,632	
Other comprehensive income for the year	-	-	-	(213,991)	5,643	141,139	(9,074)	(76,283)	
Total consolidated comprehensive income	-	-	742,600	(213,991)	5,643	141,139	6,958	682,349	
Changes due to transactions with shareholders									
Proposed gross dividend (Note 16 e)	-	-	(141,815)	-	-	-	(6,598)	(148,413)	
Interim dividend for the finance year (Note 16 e)	-	-	(189,978)	-	-	-	(1,197)	(191,175)	
Total shareholder transactions	-	-	(331,793)	-	-	-	(7,795)	(339,588)	
Balance at 31.12.2017	267,575	338,728	4,129,230	614,039	(4,733)	(429,310)	110,184	5,025,713	

	Equity attributable to equity holders of the parent							Non-Controlling interest	Total
	Share Capital	Share Premium	Retained Earnings	Translation Reserve	Cash Flow Hedge Reserve	Net Investment Hedge Reserve			
Balance at 01.01.2016	267,575	338,728	3,448,384	762,724	22,345	(533,398)	87,839	4,394,197	
Consolidated profit or loss for the year	-	-	601,832	-	-	-	14,683	616,515	
Other comprehensive income for the year	-	-	-	65,306	(32,721)	(37,050)	7,347	2,882	
Total consolidated comprehensive income	-	-	601,832	65,306	(32,721)	(37,050)	22,030	619,397	
Changes due to transactions with shareholders									
Proposed gross dividend (Note 16 e)	-	-	(141,815)	-	-	-	(11,706)	(153,521)	
Interim dividend for the finance year (Note 16 e)	-	-	(189,978)	-	-	-	-	(189,978)	
Other changes in equity									
Sales / acquisition of non-controlling interest (Nota 16 f)	-	-	-	-	-	-	12,858	12,858	
Total shareholder transactions	-	-	(331,793)	-	-	-	1,152	(330,641)	
Balance at 31.12.2016	267,575	338,728	3,718,423	828,030	(10,376)	(570,449)	111,021	4,682,952	

(The accompanying Notes 1 to 34 are an integral part of these Consolidated Statement of Changes in Equity).

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CONSOLIDATED STATEMENT OF CASH FLOWS

At 31 December 2017 and 2016 Compañía Española de Petróleos, S.A.U and Subsidiaries (Consolidated Group)

Thousands of euros

Cash flows from operating activities	2017	2016
Profit (losses) for the year before taxes	1,053,538	819,103
Depreciation and amortization charge and impairment losses	955,238	781,732
Changes in provisions for contingencies and expenses	7,186	56,200
Grants related to assets and other deferred income (Note 18)	(30,196)	(38,418)
Impairment and gains or losses on disposals of financial instruments (Notes 13 and 19)	(8,160)	2,360
Change in operating allowances	9,381	(329,601)
Finance result	19,456	47,295
Share of profit of an associate and a joint venture (Note 7)	(47,838)	58,597
Other changes	(38,523)	(31,706)
Cash flows from operating activities before change in operating working capital	1,920,082	1,365,562
Change in operating working capital	(650,859)	212,387
Interest paid	(73,463)	(81,568)
Interest received	38,490	36,195
Dividends received (Note 7)	49,843	41,961
Income tax paid/received	(192,496)	(219,189)
Other cash flows from operating activities	(177,626)	(222,601)
Total cash flows from operating activities	1,091,597	1,355,348
Cash Flows from investing activities	2017	2016
Payments		
Intangible assets	(107,678)	(28,534)
Property, plant and equipment	(496,064)	(549,239)
Financial assets		
Associates and other investments	(23,030)	(4,824)
Other financial assets	(68,689)	(111,487)
Acquisition of subsidiary, net of cash acquired	(19,491)	(665)
Grants received	7	502
Total payments	(714,945)	(694,247)
COLLECTIONS		
Intangible assets	487	2,603
Property, plant and equipment	4,439	19,330
Financial assets	101,609	519,684
Total collections	106,535	541,617
Total cash flows from investing activities	(608,410)	(152,630)

Cash Flows from financing activities	2017	2016
<i>Dividends paid</i>		
To equity holders of the Parents (Note 16.e)	(331,793)	(331,793)
To non-controlling interests	(7,795)	(11,706)
<i>Total dividends paid Total dividends paid</i>	<i>(339,588)</i>	<i>(343,499)</i>
Proceeds from borrowings	113,368	474,891
Repayment of borrowings	(1,000,035)	(1,272,149)
Payments of financial lease liabilities	-	-
<i>Total cash flows from Banks borrowings</i>	<i>(886,667)</i>	<i>(797,258)</i>
<i>Total cash flows from financing activities</i>	<i>(1,226,255)</i>	<i>(1,140,757)</i>
Net increase in cash and cash equivalents	(743,068)	61,961
Effect of changes in foreign Exchange rates	(11,028)	3,854
Cash and cash equivalents at beginning of year	1,299,733	1,233,918
Cash and cash equivalents at the end of the year	545,637	1,299,733
<i>Detail of changes of operating working capital</i>		
Inventories	(320,894)	11,277
Trade and other receivables	(622,223)	(286,568)
Other current financial assets	48,110	(5,878)
Trade and other payables	59,930	496,574
Other changes	184,218	(3,017)
<i>Total changes in operating working capital</i>	<i>(650,859)</i>	<i>212,387</i>

(The accompanying Notes 1 to 34 are an integral part of these Consolidated Statement of Changes in Equity).

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CEPSA GROUP FINANCIAL INFORMATION Income Statement for Years Ended 31 December (Millions of euros)

	2017	2016 (Restated)*	2015
Net sales	20,817	17,949	19,892
Excise tax on oil and gas charged on sales	2,605	2,493	2,440
Revenue without excise tax on oil and gas	18,212	15,455	17,452
Gross operating Profit (EBITDA) with Discontinuing Operations			
Trading	57	73	65
Corporation	(50)	(62)	(72)
Exploration and Production	497	444	549
Refining	775	558	722
Marketing	307	274	344
Petrochemicals	239	225	150
Gas and Power	49	37	21
Total adjusted operating income excluding discontinued operations in Petrochemicals	1,874	1,549	1,766
Total adjusted operating income	1,874	1,549	1,779
Adjusted gross operating income with Discontinuing Operations			
Trading	57	72	65
Corporation	(50)	(62)	(72)
Exploration and Production	245	111	(96)
Refining	508	328	512
Marketing	222	189	258
Petrochemicals	184	176	96
Gas and Power	35	21	7
Total adjusted operating income	1,202	835	771
Inventory gains/ (losses)	105	168	(444)
Other non-recurring items	(277)	(64)	(3,392)
Total operating income IFRS	1,030	938	(3,065)
Income before taxes IFRS	1,054	819	(2,934)
Corporate income taxes	(295)	(203)	1,883
Consolidated profit for the period from Continuing Operations	759	617	(1,052)
Consolidated profit for the period from Discontinuing Operations			4
Net income (before minority interests) IFRS	759	617	(1,047)
Minority interests	(16)	(15)	7
Net income IFRS	743	602	(1,040)
Net losses / (gains) from non-recurring items in the period	141	(52)	1,652
Adjustment to minority interests due to net losses / (gains) from non-recurring items in the period	1	3	(16)
Adjusted net income	884	553	596

* Financial year 2016 has been restated for comparison purposes with financial year 2017.

TANGIBLE FIXED ASSETS, INTANGIBLE ASSETS AND LONG-TERM FINANCIAL INVESTMENT IN ASSOCIATED COMPANIES
Breakdown by Business Segments
(Millions of euros)

	2017	2016 (Restated)*	2015
Trading	0.8	0.4	1
Corporation	15.1	12	26
Exploration & Production	169.9	172	543
Refining	280.9	208	177
Marketing	283.7	85	104
Petrochemicals	116.2	86	172
Technology, Gas & Power	20.9	8	28
Total Investments	887.5	572	1,052

STATEMENT OF CASH FLOWS FROM THE YEAR
Ended December 31
(Millions of euros)

	2017	2016 (Restated)*	2015
Cash Flows from Operating Activities			
Cash flows from operating activities (before changes in working capital)	1,741	1,143	876
Changes in operating working capital	(651)	212	783
Total cash flows from operating activities	1,092	1,355	1,659
Cash flows used in investing activities			
Capital expenditure	(715)	(695)	(1,151)
Capital grants received	-	1	-
Proceeds from assets sales	107	542	255
Investments due to changes in the Group			
Total Cash flows used in investing activities	(608)	(153)	(896)
Cash flows from financing activities			
Changes in short or long term loans	(887)	(797)	(590)
Cash dividend paid	(339)	(344)	(339)
Total cash flows (used in) / from financing activities	(1,226)	(1,141)	(929)
Total net increase/ (decrease) in cash and cash equivalents	(743)	62	(165)

* Financial year 2016 has been restated for comparison purposes with financial year 2017.

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BALANCE SHEET

Before Profit Distribution at December 31

(Millions of euros)

Assets	2017	2016 (Restated)*	2015
Non-current assets			
Fixed assets	6,282	6,697	6,794
Intangible assets	606	626	428
Tangible fixed assets	4,345	4,452	4,803
Long-term financial investments	1,331	1,619	1,563
Goodwill in consolidation	122	249	305
Non-current assets	6,404	6,946	7,099
Current assets			
Inventories	1,926	1,603	1,273
Accounts receivable	2,255	1,716	1,761
Other short-term investments	205	128	217
Other current assets	10	15	10
Cash and cash equivalents	546	1,300	1,234
Current assets	4,942	4,762	4,495
Non-current assets held for sale and from discontinued operations	-	-	253
Total Assets	11,346	11,708	11,847

* Financial year 2016 has been restated for comparison purposes with financial year 2017.

Shareholder's equity and liabilities	2017	2016 (Restated)*	2015
Equity attributable to shareholders of the parent company	4,916	4,572	4,306
Equity	4,736	4,325	4,055
Subscribed capital stock	268	268	268
Paid-in surplus	339	339	339
Revaluation reserve	91	91	91
Income attributable to the parent Company	3,486	3,215	4,398
Losses and earnings attributable to parent company	742	602	(1,040)
Interim dividend paid in the year Interim dividend paid in the year	(190)	(190)	-
Adjustments for changes in value	180	247	252
Translation differences	614	828	763
Other adjustments form changes in value	(434)	(581)	(511)
Minority Interests	110	111	88
Total shareholder's equity	5,026	4,683	4,394
Non-current liabilities			
Payable to credit entities	1,587	2,360	2,905
Other interest-bearing loans	42	55	84
Capital grants	30	37	47
Provisions	525	575	522
Other non-current liabilities	496	306	325
Non-Current liabilities	2,680	3,333	3,884
Current liabilities			
Payable to credit entities	619	961	1,147
Other interest-bearing Loans	20	32	22
Other current liabilities	3,001	2,699	2,333
Current liabilities	3,640	3,692	3,501
Liabilities held for sale and discontinued operations	-	-	68
Total shareholder's equity and liabilities	11,346	11,708	11,847

* Financial year 2016 has been restated for comparison purposes with financial year 2017.

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INTANGIBLE AND TANGIBLE ASSETS

At 31 December 2016

(Millions of euros)

	2017	2016 (Restated)*	2015
Gross intangible assets	4,216	4,455	883
Exploration and evaluation assets	683	911	
O&G possible or contingent reserves (B.C.)	20	19	
O&G proven reserves (B.C.)	2,461	2,606	
Operating licenses, concessions, patents, etc.	112	116	111
EDP computer software	253	230	210
Other intangible assets	687	573	562
Amortization and impairment of intangible assets:	3,610	3,829	455
Exploration and evaluation assets	642	735	
O&G possible or contingent reserves (B.C.)	12	12	
O&G proven reserves (B.C.)	2,447	2,591	
Operating licenses, concessions, patents, etc.	67	65	59
EDP computer software	175	160	149
Other intangible assets	267	266	247
Net intangible assets:	606	626	428
Exploration and evaluation assets	41	176	
O&G possible or contingent reserves (B.C.)	8	7	
O&G proven reserves (B.C.)	14	15	
Operating licenses, concessions, patents, etc.	45	51	52
EDP computer software	78	70	60
Other intangible assets	420	307	316
Gross tangible fixed assets:	13,633	13,837	16,685
Land and structures	359	322	315
Technical installations and machinery	8,399	8,360	7,994
Oil & Gas Assets	2,501	2,930	6,677
Other installations, tools and furniture	109	110	101
Advances and construction in progress	864	602	727
Other fixed assets	1,401	1,513	872

* Financial year 2016 has been restated for comparison purposes with financial year 2017.

	2017	2016 (Restated)*	2015
Depreciation and impairment of tangible fixed assets:	9,288	9,385	11,882
Land and structures	109	112	94
Technical installations and machinery	5,795	5,505	5,367
Oil & Gas Assets	2,145	2,609	6,071
Other installations, tools and furniture	89	85	76
Other fixed assets	1,150	1,074	274
Net tangible fixed assets:	4,345	4,452	4,803
Land and structures	250	210	221
Technical installations and machinery	2,604	2,855	2,627
Investments in oil and gas assets with proven and unproven reserves	356	321	606
Other installations, tools and furniture	20	25	25
Other fixed assets	251	439	598
Advances and construction in progress	864	602	727

* The classification of exploration assets has been modified in order to adapt it to the accounting principles of Mubadala Group. This has required the restatement of financial year 2016 for the purposes of comparison with financial year 2017, giving rise to a transfer between the intangible assets and the tangible assets.

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STRUCTURE OF STATEMENT OF CAPITAL EMPLOYED

Before Profit Distribution at December 31

	2017	2016	2015
1. Net fixed assets	94.91%	102.22%	99.50%
2. Working capital	20.68%	11.32%	13.05%
3. Long-term operating liabilities	(15.59%)	(13.53%)	(12.55%)
Capital employed (*)	100.00%	100.00%	100.00%
4. Shareholders' equity	74.48%	68.95%	61.61%
5. Net Debt	25.52%	31.05%	40.99%

(*) Excluded discontinuing operations.

PROFITABILITY AND EQUITY RATIOS

At December 31

	2017	2016	2015
Return on Average Capital Employed (ROACE) ⁽¹⁾	14.4%	8.8%	7.6%
Net income attributable to the parent company / Average number of shares	2.8	2.2	(3.9)
Net Debt/CCS EBITDA	0.92	1.36	1.65
Net interest-bearing debt (includes internal allowances) / Shareholders' equity(GEARING)	25.5%	31.0%	40.0%

(1) Net income before interest, deducting operating taxes / Adjusted average capital employed not discounting non-profitable investments.

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GLOSSARY

Barrel: Measure of volume equivalent to 159 litres.

Basel Convention: multi-lateral environmental treaty on the control of transboundary movements of hazardous wastes and their disposal.

Biofuel: Fuel from vegetable oil.

CDP: Carbon Disclosure Project. A non-profit organisation which manages global disclosure for investors, companies, cities, states and regions in order to manage their impact on the environment.

CEO: Cepsa Energy Outlook.

CH₄: Methane.

CO₂ equivalent: Equivalence of the global warming potential of carbon dioxide (CO₂) with other greenhouse gases.

CO₂: Carbon dioxide.

COSO 2013: Framework for implementation, management and control of a suitable Internal Control System.

Cracking: This involves breaking up or splitting high molecular weight hydrocarbons (fuels such as diesel oil and fuel oil) into lower molecular weight components (naphtha).

CROP (Continuous Refining Optimization Program): continuous refining optimisation programme.

Direct greenhouse gas emissions (Scope 1): Emissions that take place at centres owned by the organisation or those under its control.

ECA (Emission Control Area): maritime areas in which strict controls have been established to reduce atmospheric emissions from tankers.

Emission allowances: Permits or credits given to organisations that enable them to fulfil the objectives of the Kyoto Protocol, and which can subsequently be sold on a regulated market.

EPD: Environmental Product Declaration. Certified environmental declaration of environmental information for products and services based on the analysis of lifecycle and other relevant information.

FAME: fatty acids methyl esters; a biofuel obtained from vegetable oils.

FRC: Family Responsible Company.

GHG Protocol: Standardised global framework for the measurement and management of greenhouse gas emissions.

GHG: Greenhouse Gases.

GHS (Global Harmonised System of Classification and Labelling of Chemicals): The Globally Harmonized System of Classification and Labelling of Chemicals defines and classifies the hazards of chemical products.

GJ: Gigajoule (1 billion joules). The joule is the International System of Units (SI) unit of work or energy, which is equivalent to the work done on an object when a force of one newton acts on that object in the direction of its motion through a distance of one metre.

GRI: An independent institution that developed the first global standard for the preparation of sustainability reports for those companies that wish to evaluate their financial, environmental and social performance. It is an official centre collaborating with the United Nations Environment Programme (UNEP).

GW: Gigawatt (1 billion watts). The watt is the unit of power in the International System of Units which is equivalent to the power produced by a potential difference of 1 volt and an electric current of 1 ampere (1 volt-ampere).

GWh: Gigawatt/hour. Energy unit.

Henry Hub Spot: The daily spot price of natural gas at the main market of United States.

Hydroskimming: A refinery with a configuration that only includes distillation, reforming and some hydro-treatment.

ILO (International Labour Organisation): United Nations Organisation that advocates for internationally recognised social justice and human and labour rights.

Indirect greenhouse gas emissions due to consuming energy (Scope 2): Emissions occurring due to the purchase or acquisition of electricity, heating, cooling and steam consumed by the organisation.

ISCC: Certification system of compliance with sustainability legal requirements in the bioenergy markets.

ISO: International Organisation for Standardisation

ISO 14001: Certifiable environmental management standard.

ISO 14064: Standard that verifies reports on Greenhouse Gas Emissions.

ISO 19600: Certifiable compliance management standard.

ISO 20000: IT Services management certification standard.

ISO 27001: Certification standard for information security management.

ISO 50001: Certifiable energy management standard.

ISO 9001: Certifiable quality management standard.

IUCN: International Union for Conservation of Nature.

JV (Joint Venture): joint commercial investment agreement between two or more partners.

LAB: Linear alkyl benzene, the most common raw material in the production of biodegradable detergents.

LABSA: Sulphonic acid of linear alkyl benzene, used in manufacturing powder, liquid, gel, agglomerate, bar or tablet detergents.

LATAM: Latin America.

LPG: Liquefied Petroleum Gas.

MARPOL: International Convention for the Prevention of Pollution from Ships in the marine environment caused by operational or accidental factors.

MENA: Middle East and North Africa.

MWh: Megawatt hour. Energy unit

Net entitlement: Net entitlement, calculated after applying contractual provisions, in the case of Production Distribution Agreements, in accordance with the SEC (Securities and Exchange Commission) regulations.

NOx: Nitrogen oxides.

OECD: Organisation for Economic Co-operation and Development.

Offshore: Away from the coast or out to sea. Applies to activities performed at sea, such as the operation of oil platforms.

Onshore: Inland from the coastline; on land.

Other indirect greenhouse gas emissions (Scope 3): All indirect emissions (except for those included in Scope 2) that take place outside of the organisation, at both production and consumer entities.

PAC expenses: expenses used for pollution abatement and control.

Paris COP21: International Conference on Climate Change held in Paris in 2015.

PET: Polyethylene terephthalate, a plastic used in packaging and textiles.

PIA: Purified isophthalic acid for the manufacture of polyesters.

Pool: Wholesale electricity market. Market overseen by the operator OMEL, in which electricity is purchased and sold on a daily basis.

RBSA (Red Bioenergy Sustainability Assurance): standard for biofuel certification.

Revamping: Modernisation and renovation of industrial processes.

ROP: Refining Optimisation Plan.

Seismic: Method for determining a detailed subterranean structure of rock by detecting and measuring reflected acoustic waves impacting the various rock strata. It is used to locate structures that may potentially contain crude oil or gas before drilling. The processing of these data produces 3D images of the subterranean structures to be generated.

SMEs: Small and Medium-sized Enterprises.

SO₂: Sulphur dioxide.

UAE: United Arab Emirates.

UNE-EN ISO: International standard as drafted for Spain.

United Nations Global Compact: Initiative intended to encourage the private sector to assume environmental, labour, human rights protection and anti-corruption commitments.

Working interest: Total production interest, calculated before applying contractual conditions in the case of Production Distribution Agreements.

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