

 CASE STUDY:

Repsol

Company overview

Repsol is a multinational energy company headquartered in Madrid, Spain—considered the largest industrial company in the country. It committed to becoming a key player in the global energy transition by introducing a plan to allocate €6.5 billion¹ to low-carbon initiatives in its 2021-2025 Strategic Plan and being the first energy company to set a net zero emissions ambition by 2050.

Background

Given the high human rights risks associated with oil and gas projects and Repsol's large-scale operations, the company may have a significant impact on people's lives, including risks of human rights abuses and inadequate grievance or remediation mechanisms. We therefore encouraged the company to improve its reporting on human rights and demonstrate the effectiveness of its policies.

We noted the company's improvement in the Corporate Human Rights Benchmark, now ranking 4th in the extractives sector.

Our engagement

We began engaging with Repsol on its human rights policies and effectiveness in 2018. The goal was to understand the robustness of the company's human rights policies, to gain assurance that it was assessing human rights risks across operations in its decision-making, and that it was working on demonstrating the effectiveness of its policies while providing meaningful disclosures to stakeholders.

We also flagged its previously poor performance on the World Benchmark Alliance's 2017 Corporate Human Rights Benchmark².

In a meeting in November 2019, we stressed that reporting should demonstrate the effectiveness of human rights policies, which Repsol acknowledged. We emphasised the importance of improved reporting on the implementation of its human rights policies including meaningful data on, for example, progress in training delivery and addressing grievances.

¹ Boosting the Transition (repsol.com)

² Corporate Human Rights Benchmark 2017 | World Benchmarking Alliance

Engagement objectives:



Social:

Improve reporting on human rights to demonstrate the effectiveness of policies

Sustainable Development Goals:



We followed up on this in 2022 in a meeting with the company to discuss the human rights disclosure in its 2021 report. We noted the company's improvement in the Corporate Human Rights Benchmark, now ranking 4th in the extractives sector, and encouraged it to maintain this leading position. It explained that the top rank was a demonstration of the successful implementation of its human rights policies.

However, to ensure this is reflected in improved real-world outcomes, we requested improved reporting, such as the number of grievances raised annually and information on their resolution.

We also asked about the company's commitment to free, prior and informed consent in relation to indigenous peoples affected by Repsol's projects.

We also challenged Repsol's governance approach to human rights, particularly the role of board oversight. It assured us that the board had oversight of human rights issues and that it receives at least a bi-yearly presentation during its sustainability committee meetings on human rights.



We also asked about the company's commitment to free, prior and informed consent (FPIC) in relation to indigenous peoples affected by Repsol's projects. It responded that it seeks to obtain consent from local communities before commencing projects in each location and where applicable may choose other locations if it is not granted consent. We requested details of how engagement with indigenous communities had influenced business decisions.

We requested details of how engagement with indigenous communities had influenced business decisions.

We were also pleased to hear that the company integrates social issues in investment decisions. This is demonstrated by its use of social impact assessments that are conducted by external human rights experts at the start of project development. We asked about the frequency of review of Repsol's impact assessments and gained reassurance that they are revised every two years, or less if necessary, and again at each stage of a project development.

Changes at the company

We welcomed Repsol's increased disclosure on human rights in its 2021 annual report which shows strong improvements compared to its 2018 report. Repsol's 2021 annual report provides more information on grievances and remediation mechanisms, including an analysis of the separate types of social grievances that occurred in the year.

The report also outlines how Repsol identifies salient human rights issues based on the scope and the severity of their impact and includes indicators to effectively measure and track performance.

We welcomed Repsol's increased disclosure on human rights in its 2021 annual report which shows strong improvements compared to its 2018 report.

Further, the company discloses its human rights due diligence mechanisms which focuses on identifying, assessing, and mitigating the risks and impacts associated with its activities, and on seeking out new opportunities.

On indigenous peoples' rights, we are pleased that the company is seeking alternative ways to minimise land acquisition prior to starting each project to avoid adverse impacts on local communities. We welcome the company's case study examples which demonstrate the company's human rights efforts in practice and help stakeholders understand Repsol's impacts on communities.

We are also pleased to hear Repsol's training course on human rights was further developed and available to all company employees.



Next steps

Going forward, we will progress our engagement on climate change with Repsol and will continue to monitor its approach to human rights and engage on this when we deem it appropriate.



This case study has been fact-checked by Repsol to ensure a fair representation of EOS work carried out and changes made at the company.



Owen Tutt
Engager
EOS



Bruce Duguid
Head of Stewardship
EOS

For professional investors only. This is a marketing communication. Hermes Equity Ownership Services ("EOS") does not carry out any regulated activities. This document is for information purposes only. It pays no regard to any specific investment objectives, financial situation or particular needs of any specific recipient. EOS and Hermes Stewardship North America Inc. ("HSNA") do not provide investment advice and no action should be taken or omitted to be taken in reliance upon information in this document. Any opinions expressed may change. This document may include a list of clients. Please note that inclusion on this list should not be construed as an endorsement of EOS' or HSNA's services. EOS has its registered office at Sixth Floor, 150 Cheapside, London EC2V 6ET. HSNA's principal office is at 1001 Liberty Avenue, Pittsburgh, PA 15222-3779. Telephone calls may be recorded for training and monitoring purposes. EOS001200. 0016229 11/23.

Federated Hermes

Federated Hermes is a global leader in active, responsible investing.

Guided by our conviction that responsible investing is the best way to create long-term wealth, we provide specialised capabilities across equity, fixed income and private markets, multi-asset and liquidity management strategies, and world-leading stewardship.

Our goals are to help people invest and retire better, to help clients achieve better risk-adjusted returns and, where possible, to contribute to positive outcomes that benefit the wider world.

All activities previously carried out by Hermes Investment Management are now undertaken by Federated Hermes Limited (or one of its subsidiaries). We still offer the same distinct investment propositions and pioneering responsible investment and stewardship services for which we are renowned – in addition to important strategies from the entire group.

Our investment and stewardship capabilities:

- **Active equities:** global and regional
- **Fixed income:** across regions, sectors and the yield curve
- **Liquidity:** solutions driven by four decades of experience
- **Private markets:** real estate, infrastructure, private equity and debt
- **Stewardship:** corporate engagement, proxy voting, policy advocacy

Why EOS?

EOS enables institutional shareholders around the world to meet their fiduciary responsibilities and become active owners of public companies. EOS is based on the premise that companies with informed and involved shareholders are more likely to achieve superior long-term performance than those without.

For more information, visit www.hermes-investment.com or connect with us on social media:

