

## **Statement of corporate governance arrangements**

The Board of Repsol Sinopec Resources UK Limited continues to develop a good governance framework supported by the group's vision, strategy and values. The Board has not adopted an external governance code and instead the group has its own governance arrangements which are considered fit for purpose for its size and for a joint venture.

The governance arrangements that apply to the group are set out in a Shareholders' Agreement (the "SHA"). The governance structure is designed to support and enable pursuit of the group's objectives, obligations and commitments. The governance structure consists of four levels: Shareholder, Board, Executive Committee and Executive Management Team (EMT). Each level has defined delegated authorities with decision and execution rights up to certain levels of financial authority with matters reserved for decision by Shareholders, Board and the Executive Committee provided for in the SHA.

The Board and Executive Committee comprise Shareholder representatives ensuring a high degree of Shareholder engagement in all key business decisions. The following is a summary of how the Board discharges its key responsibilities to ensure good governance.

### *Purpose and Composition of the Board*

The Board establishes the vision, strategy and values of the group. The group's core values of Leadership, Excellence, Accountability and Positivity underpin its operations and business practices. The Board is comprised of four directors appointed by the shareholders (two directors appointed by each shareholder) and one independent director. The experience of the Board is diverse with a wide range of knowledge and extensive technical and management experience in the oil and gas industry. A biography for each Board director can be found on the Governance page on the company website.

The Chairman role rotates annually between the shareholder appointed directors. The Chairman is responsible for the effectiveness of the Board, ensuring constructive discussions take place and that Board members have necessary and timely information to facilitate meaningful discussions. Assurance of Board decisions is provided by advisory and assurance groups comprising shareholder representatives.

The Board met 5 times in 2019.

### *Directors' Responsibilities*

The Board has a collective responsibility for governance and the delivery of the long-term success of the group on behalf of its shareholders. The Board approves strategy and ensures the group is provided with the appropriate direction and resources to meet strategic goals.

The Board is accountable to the shareholders for the delivery of the group strategy and performance. The Board meets on a quarterly basis to review HSE and business performance against key performance indicators and to set strategic goals.

The group maintains a risk register and at its quarterly meetings the Board reviews key operational and financial risks as well as key strategic decisions including new business opportunities and the risks therein.

### *Directors' Responsibilities (continued)*

The internal controls environment is under the custody of appropriate function heads. This is subject to review by the internal audit function based on a Board agreed work programme. The shareholders also undertake joint audits involving teams of specialists from the shareholder groups to review compliance with business processes.

### *Remuneration*

Other than the independent director, the directors are not remunerated by the company and instead are remunerated by the shareholder company (or another company in its group) that appoints them. The group's remuneration structure consists of rewards dependent on role and experience and provides incentive structures aligned with the group's long-term strategy, culture and values. The group has implemented a professional progression model which provides a consistent set of base data for market salary analysis and a transparent and consistent method for career progression.

### *Strategy*

The Board strategically reviews long-term value generating opportunities both through regular Board meetings and as part of the annual work plan and budget. The group has a number of key governance, policy and compliance documents, such as the Code of Conduct and Ethics Directive. These documents are framed in line with UK legislation and modern industry practices and delivered through a bespoke Compliance Programme for the business. The group has a Compliance Officer and an Ethics Committee comprising the Compliance Officer and members of the EMT. The Integrated Management System (IMS) contains the group's policies, standards, guidelines and procedures to ensure operations are carried out in a safe and reliable manner in accordance with regulatory requirements and good business practice.

### *Stakeholders*

Stakeholders are a key focus; regular engagement with all stakeholders to create and preserve value and manage risk is a key priority. Both shareholders are represented by Board members and there is regular and effective communication, as well as the provision of relevant and timely information to shareholders for the purposes of decision making. The workforce, both onshore or offshore, are given direct access to leadership and management, through various media platforms and engagement processes.

The Board is focused on creating and maintaining strong relationships with all stakeholders. There is therefore active engagement with other major stakeholders, which include regulatory bodies, government authorities and environmental groups, financial institutions, vendors, joint venture partners and the workforce. Initiatives include engagement events and an ongoing compliance programme. These are designed to ensure that reporting and compliance obligations are met, and that stakeholders' views are well-known and can be considered in decision making.