



# REGENERATING THE FUTURE

Integrated Management Report 2021

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# THE GALP WORLD



REGENERATING THE FUTURE

# 1.1 Our purpose

## Let's Regenerate the Future Together

We are proud of the energy we provide, knowing that it is central to the economy and to support people's lives.

We are committed to redefine our business and the products we produce and provide to our customers, reshaping our portfolio to accelerate the development of low carbon sources of energy, progressively reducing the CO<sub>2</sub> intensity of the energy we produce aiming at becoming net zero by 2050. We are positioning ourselves to lead the industry in this transformation, in to a cleaner and regenerated future.

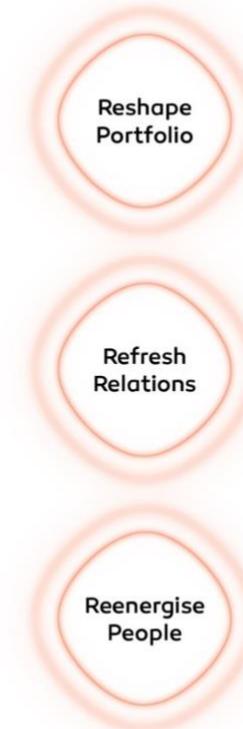
**We are also refreshing our relationship with society, communities, and our customers at large. We want to be known as a company that is both dynamic, providing innovative clean energy solutions, but also one that cares for the people and the planet.**

The change will start with our people. We recognise the need to change the way we lead in order to fully reenergise our talent, creating a Company where everyone can achieve their potential.

So let's regenerate the future together.

**"Let's lead our industry into a future where we protect our precious planet, where we delight our customers and make Galp a great place to work."**

Andy Brown, CEO (link [here](#))



## 1.1 Our purpose

### Reshape Portfolio

#### Develop efficient and sustainable energy solutions aligned with our 2050 net zero carbon emissions ambition.

Galp strategy aims to develop efficient and sustainable energy solutions capable to progressively decarbonise our portfolio, ensuring a disciplined capital allocation through solid return on investments which will consider the business risk profile, promoting an effective, competitive and sustainable transition.

- Galp aims to thrive through the energy transition towards becoming net zero carbon by 2050, with an interim 40% carbon intensity reduction targets by 2030, when we want to have already a more electrified, diversified and decarbonised global portfolio.
- Galp is committed to expanding its renewable energy generation portfolio.
- In Upstream, where our carbon intensity is currently almost 50% below the sector average, we will continue to pursue carbon efficiency excellence, to support a responsible growth of our production.
- Galp will continue to contribute to the industrial development of Portugal, by progressively converting Sines refinery site into a green energy hub.
- Our commercial offer will change its focus from a car and fuel-centred approach to a consumer and green energy-centred approach.
- Galp aspires to take an active role in the energy transition paradigm, namely by exploring options to adapt its portfolio to future consumption patterns, namely, to develop an industrial cluster for green hydrogen

production based in Sines and assessing opportunities in the fast-growing lithium-ion battery value chain.

- Our strategy relies on a clear capital allocation framework, to enable a value-driven investment case, capable of delivering a highly resilient cash flow growth and a competitive shareholder remuneration.

### Refresh Relations

#### Work together with our customers, partners and suppliers leveraging digital tools and a refreshed brand to promote cross-selling.

Help our communities with their decarbonisation efforts, expanding our low-carbon businesses and the non-fuel customer offering.

- Leverage our strong brand and physical network, with more than 450k visits per day, spread throughout our more than 1,400 service stations.
- Develop digital tools to transform our customer experience and expand our client base, providing a bundled offer responding to evolving customer needs and based on a unique partnership ecosystem and actionable data to leverage our loyalty programme.
- Expand and refresh our commercial offer to respond to the changing energy consumption and shared mobility patterns, by developing new businesses such as Galp Solar and Flow.
- Continue to work towards the decarbonisation of our business and of our communities.

## 1.1 Our purpose

### Reenergise our People

#### **A great place to work in which our people thrive and achieve their ultimate potential**

New capabilities and a solid learning culture to drive agility and high performance throughout the Organisation.

- A leadership ready to promote change, build trust and empower talent.
- A smart work model that allows flexibility, promotes productivity and work-life balance.
- An employee-centric and modernised workplace.
- Simplified people management processes.
- Fair compensation aligned with market best-practices.
- Agile ways of working.

# 1.2 Galp's presence



Upstream



Commercial



Industrial & Energy Management



Renewables & New Businesses

1. Portugal



2. Spain



3. Brazil



4. Angola



5. Mozambique



6. Cape Verde



7. Guinea-Bissau



8. S. Tomé and Príncipe



9. Namibia



10. Eswatini



## 1.2 Galp's presence



### Upstream

Galp has 28 Upstream projects under exploration, development and/or production phases, located mostly in deep waters and focused on three core areas: the world-class pre-salt Santos basin assets in Brazil, producing assets in Angola and high-potential natural gas projects under development in the Rovuma basin, in Mozambique. Other exploration assets are located in São Tomé and Príncipe and in Namibia.



### Industrial & Energy Management

The Industrial & Energy Management division includes in the Industrial segment the refining, logistics, biofuels and cogeneration activities in Iberia, whilst Energy Management comprises the supply & trading activities of oil, gas and electricity, focused on value maximisation along the integration of the businesses and its value chains.

During 2021, Galp renamed the business unit, from Refining & Midstream previously, to better accommodate its purpose of transforming Sines into a green energy hub by 2030, improving its energy efficiency, reducing the carbon footprint, expanding the current biofuels operations to advanced biofuels and introducing green hydrogen production.



### Commercial

Galp's Commercial business provides a complete and integrated offer ranging from oil products, gas, electricity to other services. Maintaining a customer-centred approach, the business offers solutions for companies and retail customers in different geographies. Our commercial strategy is focused on optimising the integrated offer of products and services, adapted to new consumption patterns, in an open, digital and sharing economy. Using the strong position of Galp's brand in Iberia and in a selection of African countries, Galp's Commercial activities have the customers at the core of its businesses.



### Renewables & New Businesses

The Renewables & New Businesses unit is focused on developing a sustainable and diversified portfolio of renewable energy generation, currently focused on Iberia and Brazil, which can be leveraged by synergies with the Company's remaining energy businesses, whilst supporting its energy transition trajectory. This unit also identifies, assesses, and develops new business opportunities in the energy space, aiming at adding new value pools and/or maximising value creation of current businesses.

# 1.3 Value creation

## Inputs



### Financial Capital

**€12,129 m**  
cost of goods sold RCA

**€936 m**  
capital expenditure

**€1,536 m**  
supply and Services RCA

**>€35 m**  
in the protection of people, the environment and assets



**€297 m**  
salaries and benefits



### Natural Capital

**9.4 millions m<sup>3</sup>**  
raw water

**1,366 TJ**  
electricity purchased

**34,249 TJ**  
consumed primary energy

**€2.1 m**  
investment in eco-efficiency in refining



### Human Capital

**6,152**  
employees



**2,711**  
women

**56**  
nationality



**10**  
countries

**278**  
hires

**181,655**  
hours of training



### Intellectual Capital

**€16.9 m**  
innovation and R&D



**>€180 m**  
innovation and R&D investment until 2025



### Social and Relational Capital

**59.2%**  
free float

**2,568**  
suppliers

**57**  
relevant partnerships with sector and associations and entities

**74%**  
local purchases



**99%**  
local hiring

**+ 1,298**  
volunteer hours

## Business Model

Galp assumes an integrated approach to sustainable value creation, by anticipating risk, maximising opportunities and building strong and lasting relationships with stakeholders.

## Business segments



### Upstream

**5 countries**  
of which three core: Brazil, Mozambique and Angola

**127 kboepd**  
WI average production

**712 mboe**  
2P reserves

**1,521 mboe**  
2C contingent resources

**28 projects**



### Industrial & Energy Management

**226 kbpd**  
refining capacity

**76.6 mboe**  
Processed raw materials

**14.8 mton**  
Oil products supply

**91 MW**  
cogeneration capacity



### Commercial

**6.5 mton**  
total oil product sales

**1,480**  
service stations

**18.3 TWh**  
total NG/LNG sales

**4.2 TWh**  
total electricity sales



### Renewables & New Businesses

One of the largest solar players in Iberia

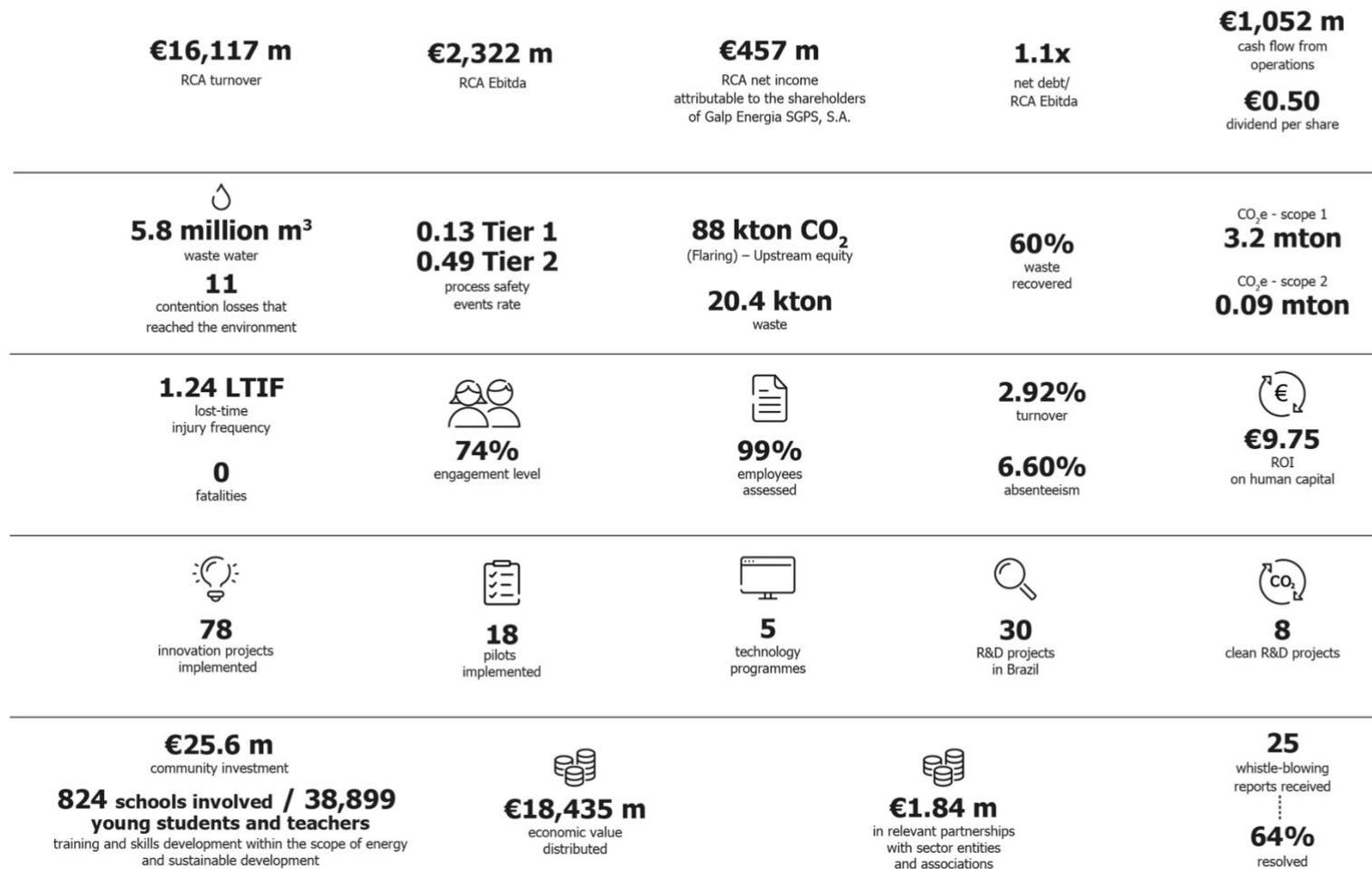
**1,288 GWh**  
Renewable energy generated

**963 MWp**  
Installed capacity for renewable generation

**352.4 ktonCO<sub>2</sub>**  
Avoided emissions

## 1.3 Value creation

## Outputs



## 1.4 Approach to materiality

### Ongoing stakeholder engagement

Galp believes its stakeholders have an important voice and that their inputs are an opportunity to further create shared value for both the Company and society.

Both communication and engagement are maintained throughout the year so that opportunities are fully explored.

More information on how Galp engages with its stakeholders is available on the Company's website (link [here](#)).

### Identifying priorities

Galp's long-term success is highly dependent on its ability to create value. This is why Galp seeks to understand the sustainability landscape and the topics that can have a higher impact on the Company's future.

Galp conducts a comprehensive materiality analysis related to sustainability, one that prioritises topics from a double perspective: the impact of the Company's business activities on the economy, the environment, and society, and the impact of sustainability topics on Galp's business development, performance, and position. Both perspectives contribute to identifying the current and emerging aspects that must be addressed.

Following international best practices, this materiality analysis process includes four major steps.

- Identifying topics
- Galp analyses insights and information from external and internal sources to identify relevant issues. Determining the relevance

The Company carries out a stakeholders consultation to know their key expectations regarding Galp's performance and their views about the relevance of each topic.

- Determining the impact

An internal assessment is carried out with top management to ensure the alignment of material topics with the Company values, policies and commitments.

- Validating material topics

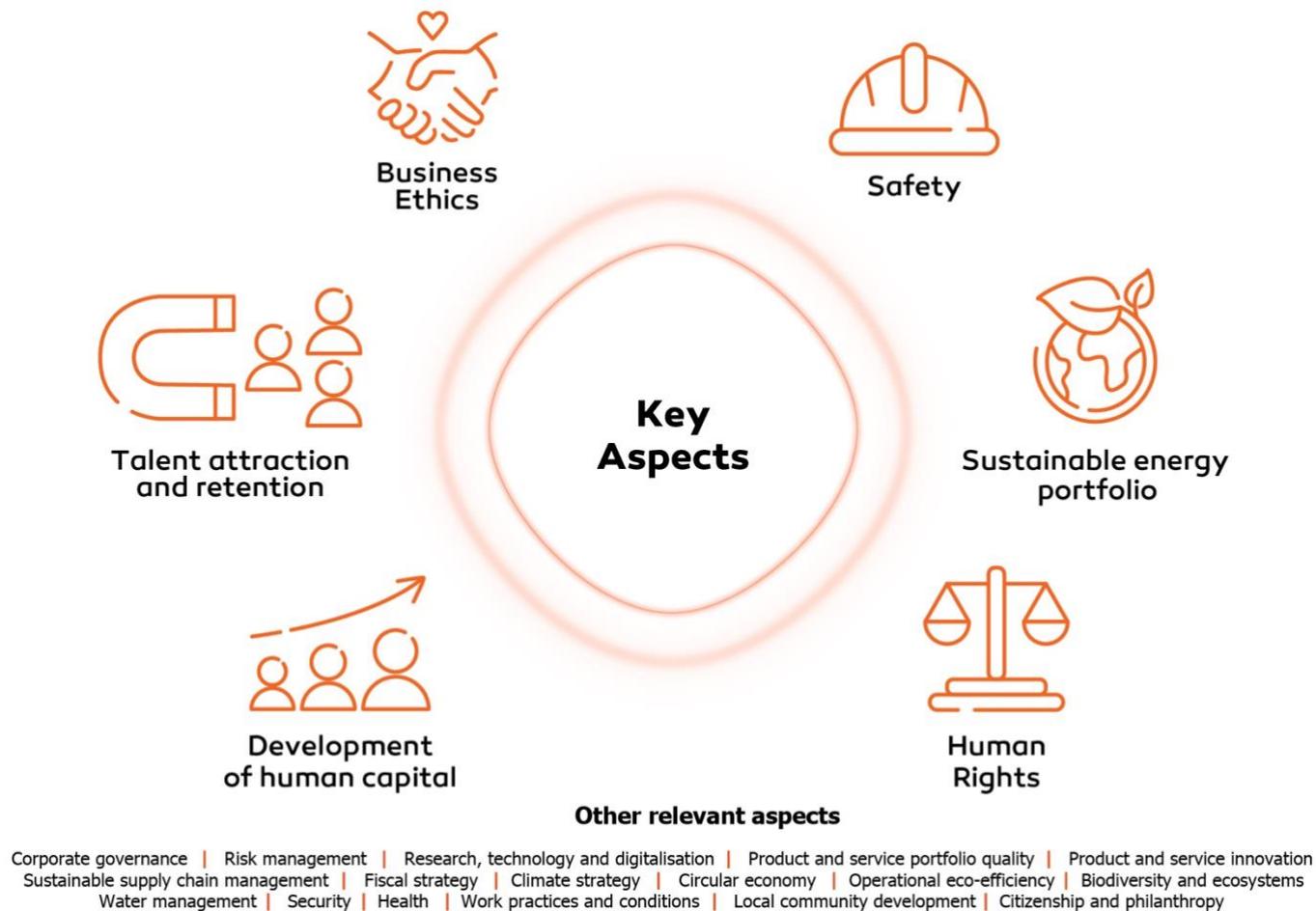
Finally, the topics are prioritised considering their relevance and impact (from an internal and external perspective).

## 1.4 Approach to materiality

### Key material aspects

The results of the materiality analysis are a fundamental outcome for the strategy development, allowing Galp to focus on what matters most to its

business and its stakeholders. For each key material aspect, Galp has set goals and targets, and their progress is monitored and reported in the public domain. This information can be found in the beginning of each Sustainability chapter.



# 1.5 Contribution to the sustainable development goals

In 2015 the United Nations defined a blueprint for worldwide sustainable development. Since then, Galp has been committed to contributing towards the 17 Sustainable Development Goals (SDG) set in the United Nations Agenda 2030.

As part of the impact assessment, Galp evaluated how its strategy and business activities are helping to achieve the SDGs, particularly those to which Galp contributes and impacts the most.

Galp has mapped the SDGs on which we have the greatest potential to make a real difference, as well as the main established targets that will contribute to each goal.

## Material SDG - Galp's Impact on Society

### 17 Partnerships for the goals

- Member of the WBCSD, BCSD Portugal and CDP Supporter
- Subscriber of the Voluntary Principles on Security and Human Rights
- Commitment to the 10 Universal Principles of the UNGC, TCFD and Zero Routine Flaring Initiative

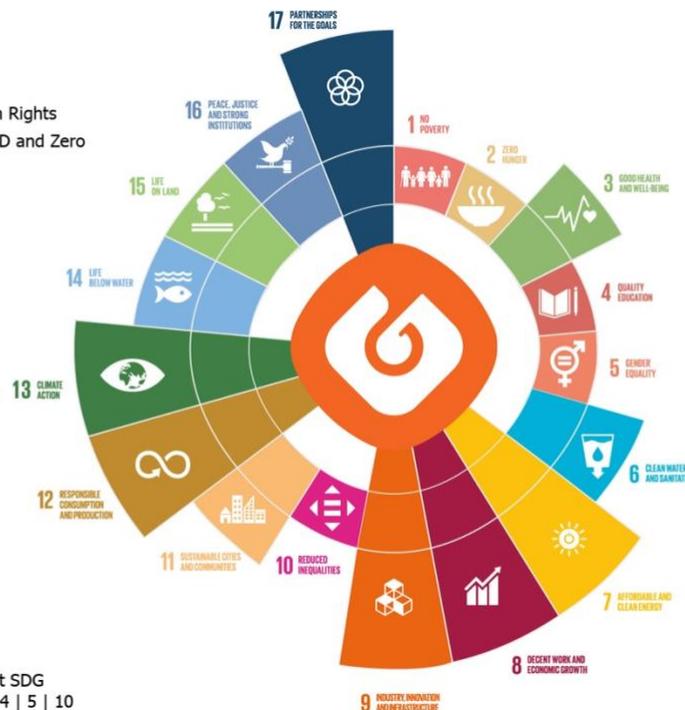
### 13 Climate action

- Reduction of 40% of absolute emissions from operations (scope 1 & 2) by 2030
- Reduction of 40% of the production carbon intensity and 20% of all downstream sales carbon intensity by 2030
- Achievement of Net Zero Emissions (scopes 1, 2 & 3) by 2050

### 12 Responsible consumption and production

- €2.1 m real investment in 2021 in eco-efficiency projects in refining
- Acquisition of 100% renewable electricity in our operations in Portugal in 2021
- 15% of reused water in refining

Material SDG      Direct SDG      Indirect SDG  
7 | 8 | 9 | 12 | 13 | 17      3 | 6 | 11 | 14 | 15 | 16      1 | 2 | 4 | 5 | 10



### 7 Affordable and clean energy

- 27,039 m<sup>3</sup> of biodiesel produced
- 1,288 MWh of gross renewable energy produced
- 53% of marketed electricity from renewable sources

### 8 Decent work and economic growth

- 99% of local hiring
- 10.4% of employees with less than 30 years
- 94% of employees covered by health safety insurance

### 9 Industry, Innovation and Infrastructure

- More than €180 m of innovation and R&D investment planned until 2025
- €16.9 m invested in innovation and R&D
- Founder member of the Singularity University Portugal and partner of the Heriot-Watt University

# 1.6 Galp in the capital markets

## Shareholder structure

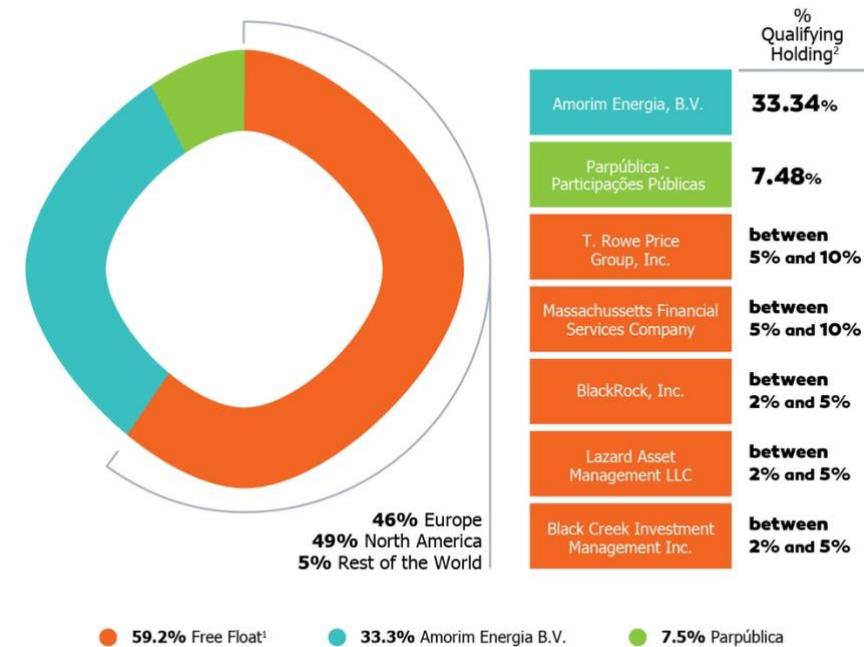
Galp has been listed on Euronext Lisbon since 23 October 2006.

Galp's share capital comprises 829,250,635 ordinary shares, of which c.93% are listed on Euronext Lisbon. The remaining 7% are unlisted and held indirectly by the Portuguese State through Parpública - Participações Públicas, SGPS, S.A. (Parpública). All shares grant the same voting and economic rights.

At the end of 2021, c.33% of the Company's share capital was held by Amorim Energia, B.V., while the remaining free float, was held by institutional investors from 33 countries.

For more details on the shareholder structure, please refer to Part II of this report - Corporate Governance Report, or our website (link [here](#)).

### Shareholdings as of 31<sup>st</sup> December 2021



<sup>1</sup> Number of shares listed not held by long-term shareholders (closely-held shares)

<sup>2</sup> The qualifying holdings in Galp's share capital as at 31 December 2021 were calculated in accordance with the Article 20 of the CVM and were communicated to Galp in accordance with Article 16 of the CVM.

## 1.6 Galp in the capital markets

### Galp share performance

At the close of 2021, Galp had a market capitalisation of around €7.07 bn, a 2.7% decrease compared to the end of 2020. The total shareholder return (TSR) during the year, considering the share price evolution and the dividends distributed, was positive at 3.7%.

#### Galp's Share Performance 2021 (€/share)



Source: Bloomberg

Share price @ 31 <sup>st</sup> December, 2020	€8.75
Share price @ 31 <sup>st</sup> December, 2021	€8.52
Minimum share price during 2021	€8.12 @ 2 <sup>nd</sup> February
Maximum share price during 2021	€10.83 @ 12 <sup>th</sup> March
Average daily shares traded <sup>1</sup> (all trading venues)	7.85 million shares
Average daily shares traded on Euronext Lisbon stock exchange	2.3 million shares

<sup>1</sup>Source: Bloomberg

### Analysts' coverage

The Galp share is currently followed by 23 financial analysts, who produce their research analyses on the Company, as well as estimates for future results.

As of 31<sup>st</sup> December 2021, the average price target of Galp share was €11.62, with 52% of the analysts recommending purchasing, 43% holding and 5% selling recommendations.

All information related to Galp's stock recommendations and target prices issued by the various institutions can be seen on our website (link [here](#)).

### Distributions to shareholders

Galp's Board of Directors will propose to the 2022 Annual General Shareholders Meeting (AGM), to be held on April 29, a base dividend of €0.50/share, paid in cash, related to the 2021 fiscal year. In addition, the Board plans to execute a share buyback of €150 m, which should start after the relevant authorisation related to the shares purchase and cancellation are obtained at the AGM.

## 1.6 Galp in the capital markets

### 2022+ shareholder distribution guidelines

In February 2022, Galp's Board of Directors revised the shareholder distributions guidelines, now with a progressive base cash DPS, growing at 4% per year.

Additional supplementary distributions are now being planned to be made through buybacks, whenever Galp's Net Debt to RCA Ebitda remains below the Company's target of 1x. Total distributions to shareholders (cash dividend + buyback) are limited at one third of the adjusted operational cash flow (OCF<sup>1</sup>).

<sup>1</sup>Adjusted Operational Cash Flow (OCF) = RCA Ebitda + Associates + Taxes

**1/3 of OCF**

Total expected  
distributions  
2022+

### Participation in the 2021 annual general shareholders meeting

Galp's 2021 Annual General Shareholder Meeting was held on April 23<sup>rd</sup> and the main items on the agenda were the ratification of Andrew Brown as member of the Board of Directors and Chief Executive Officer of the Company, the integrated management report, individual and consolidated accounts and other financial statements for 2020 fiscal year. In addition, a proposal for the allocation of the 2020 results was approved. The Board of Directors, the Audit Board and the Statutory External Auditor's performance during the fiscal year of 2020 was also assessed.

A decision was taken on the Remuneration Committee's statement, on the remuneration policy for the management and supervisory bodies and members of the Board of the Shareholders' General Meeting, as well as on the granting of authorisation to the Board of Directors for the acquisition and sale of own shares and bonds or other own debt, by the Company and its subsidiaries' instruments. 1,366 shareholders attended or were represented at the General Meeting, representing 695,576,241 shares, or 83.88% of the Company's share capital. All proposals submitted for deliberation were approved.

## 1.6 Galp in the capital markets

### Information to the bondholder

Bonds outstanding under the *Euro Medium Term Note* (EMTN) programme on December 31, 2021.

Name	ISIN	Date of Issue	Maturity	Amount	Coupon	Yield at end of year (%)	Var. from pricing (bp)	Place of Transaction
Galp 1.000% 02.2023	PTGALLOM0004	15-11-2017	15-02-2023	€500 m	1.000%	0.0	(106)	London Stock Exchange
Galp 2.000% 01.2026	PTGALCOM0013	18-06-2020	15-01-2026	€500 m	2.000%	0.8	(128)	Euronext Dublin

## 1.7 Our brand

### “Let’s regenerate the future together” - A brand new purpose



Galp’s new purpose set the tone for a year of achievements and defined the clear ambition for the Company on addressing decarbonisation milestones by 2030 and 2050.

Having a strong brand is one of the pillars to address the several markets where Galp operates. The brand strategy from recent years helped to position us as one of the brands with most awareness in our sector and even across other industries, mainly in Portugal and Mozambique, and with a growing brand presence in Spain, where we face the challenges of being the upcoming player, with lesser awareness than our competitors.

Our global strategy aimed to position Galp as a more humanized brand, close to customers and relevant for people’s lives, in order to establish an emotional link that increases the good will from customers towards our brand and businesses.

It is of the utmost importance that we convey in every way we can, memorable brand experiences that gives the brand a sense of uniqueness whenever we contact with consumers. The brand is one of the competitive assets that we must focus on, because the impact created, can and will leverage the desired behaviour from people and good experiences create the most memorable call to action.

The performance of our brand activity is shown in the results from the market survey:

- 81% of total awareness as a brand from the energy sector
- 72% considers galp a trusted brand
- 59% states that Galp is a brand close to customers

Galp Brand is undergoing a repositioning process to move the market perception from its being a national oil company to that of an international Integrated Energy company, landmarking new sustainable territories, from Solar to Electric Mobility.

Internally, the employees were triggered to embrace the new purpose, by being shown what the brand is doing as a brand that not only cares about the environment but also about people, conveying its impact and sense of belonging.

